

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**ANTHEM, INC.****CONSOLIDATED FINANCIAL STATEMENTS****Years ended December 31, 2015, 2014 and 2013****Contents**

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**Report of Independent Registered
Public Accounting Firm**

The Board of Directors and Shareholders of Anthem, Inc.

We have audited the accompanying consolidated balance sheets of Anthem, Inc. (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Anthem, Inc. at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Anthem, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 19, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Indianapolis, Indiana
February 19, 2016

Anthem, Inc.
Consolidated Balance Sheets

	December 31, 2015	December 31, 2014
<i>(In millions, except share data)</i>		
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,113.5	\$ 2,151.7
Investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of \$16,950.0 and \$17,120.4)	16,920.0	17,467.4
Equity securities (cost of \$1,055.8 and \$1,303.7)	1,441.8	1,906.6
Other invested assets, current	19.1	20.2
Accrued investment income	170.8	161.4
Premium and self-funded receivables	4,602.8	4,825.5
Other receivables	2,421.4	2,117.0
Income taxes receivable	316.6	308.9
Securities lending collateral	1,300.4	1,515.2
Other current assets	1,555.7	1,473.9
Total current assets	30,862.1	31,947.8
Long-term investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of \$550.4 and \$500.7)	558.2	504.4
Equity securities (cost of \$27.3 and \$27.0)	31.0	31.5
Other invested assets, long-term	2,041.1	1,695.9
Property and equipment, net	2,019.8	1,944.3
Goodwill	17,562.2	17,082.0
Other intangible assets	8,158.0	7,958.1
Other noncurrent assets	485.4	512.3
Total assets	\$ 61,717.8	\$ 61,676.3
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Policy liabilities:		
Medical claims payable	\$ 7,569.8	\$ 6,861.2
Reserves for future policy benefits	71.9	68.1
Other policyholder liabilities	2,256.5	2,626.5
Total policy liabilities	9,898.2	9,555.8
Unearned income	1,145.5	1,078.1
Accounts payable and accrued expenses	3,318.8	3,651.8
Security trades pending payable	73.1	66.2
Securities lending payable	1,300.9	1,515.3
Short-term borrowings	540.0	400.0
Current portion of long-term debt	—	624.3
Other current liabilities	2,816.1	1,861.2
Total current liabilities	19,092.6	18,752.7
Long-term debt, less current portion	15,324.5	14,019.6
Reserves for future policy benefits, noncurrent	631.7	671.3
Deferred tax liabilities, net	2,630.6	2,945.6
Other noncurrent liabilities	994.3	1,035.8
Total liabilities	38,673.7	37,425.0
Commitments and contingencies—Note 13		
Shareholders' equity		
Preferred stock, without par value, shares authorized - 100,000,000; shares issued and outstanding - none	—	—
Common stock, par value \$0.01, shares authorized - 900,000,000; shares issued and outstanding - 261,238,188 and 268,109,932	2.6	2.7
Additional paid-in capital	8,555.6	10,062.3
Retained earnings	14,778.5	14,014.4
Accumulated other comprehensive (loss) income	(292.6)	171.9
Total shareholders' equity	23,044.1	24,251.3
Total liabilities and shareholders' equity	\$ 61,717.8	\$ 61,676.3

See accompanying notes.

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Anthem, Inc.
Consolidated Statements of Income

	Years Ended December 31		
	2015	2014	2013
<i>(In millions, except per share data)</i>			
Revenues			
Premiums	\$ 73,385.1	\$ 68,389.8	\$ 66,119.1
Administrative fees	4,976.6	4,590.6	4,031.9
Other revenue	43.1	41.3	40.4
Total operating revenue	78,404.8	73,021.7	70,191.4
Net investment income	677.6	724.4	659.1
Net realized gains on investments	157.5	177.0	271.9
Other-than-temporary impairment losses on investments:			
Total other-than-temporary impairment losses on investments	(99.9)	(56.2)	(100.6)
Portion of other-than-temporary impairment losses recognized in other comprehensive income	16.5	7.2	1.7
Other-than-temporary impairment losses recognized in income	(83.4)	(49.0)	(98.9)
Total revenues	79,156.5	73,874.1	71,023.5
Expenses			
Benefit expense	61,116.9	56,854.9	56,237.1
Selling, general and administrative expense:			
Selling expense	1,441.1	1,490.1	1,526.9
General and administrative expense	11,093.7	10,258.3	8,426.0
Total selling, general and administrative expense	12,534.8	11,748.4	9,952.9
Interest expense	653.0	600.7	602.7
Amortization of other intangible assets	230.1	220.9	245.3
(Gain) loss on extinguishment of debt	(9.3)	81.1	145.3
Total expenses	74,525.5	69,506.0	67,183.3
Income from continuing operations before income tax expense	4,631.0	4,368.1	3,840.2
Income tax expense	2,071.0	1,808.0	1,205.9
Income from continuing operations	2,560.0	2,560.1	2,634.3
Income (loss) from discontinued operations, net of tax	—	9.6	(144.6)
Net income	\$ 2,560.0	\$ 2,569.7	\$ 2,489.7
Basic net income (loss) per share:			
Basic - continuing operations	\$ 9.73	\$ 9.28	\$ 8.83
Basic - discontinued operations	—	0.03	(0.49)
Basic net income per share	\$ 9.73	\$ 9.31	\$ 8.34
Diluted net income (loss) per share:			
Diluted - continuing operations	\$ 9.38	\$ 8.96	\$ 8.67
Diluted - discontinued operations	—	0.03	(0.47)
Diluted net income per share	\$ 9.38	\$ 8.99	\$ 8.20
Dividends per share	\$ 2.50	\$ 1.75	\$ 1.50

See accompanying notes.

Anthem, Inc.
Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2015	2014	2013
<i>(In millions)</i>			
Net income	\$ 2,560.0	\$ 2,569.7	\$ 2,489.7
Other comprehensive (loss) income, net of tax:			
Change in net unrealized gains/losses on investments	(384.3)	118.6	(294.7)
Change in non-credit component of other-than-temporary impairment losses on investments	(5.6)	(3.9)	1.7
Change in net unrealized gains/losses on cash flow hedges	(45.2)	(3.6)	3.0
Change in net periodic pension and postretirement costs	(26.0)	(118.1)	172.7
Foreign currency translation adjustments	(3.4)	(4.3)	1.4
Other comprehensive loss	(464.5)	(11.3)	(115.9)
Total comprehensive income	\$ 2,095.5	\$ 2,558.4	\$ 2,373.8

See accompanying notes.

Anthem, Inc.
Consolidated Statements of Cash Flows

	Years Ended December 31		
	2015	2014	2013
<i>(In millions)</i>			
Operating activities			
Net income	\$ 2,560.0	\$ 2,569.7	\$ 2,489.7
Adjustments to reconcile net income to net cash provided by operating activities:			
Net realized gains on investments	(157.5)	(177.0)	(271.9)
Other-than-temporary impairment losses recognized in income	83.4	49.0	98.9
(Gain) loss on extinguishment of debt	(9.3)	81.1	145.3
(Gain) loss on disposal from discontinued operations	—	(3.2)	221.8
Loss (gain) on disposal of assets	16.0	(1.7)	3.9
Deferred income taxes	(65.9)	30.7	59.1
Amortization, net of accretion	802.1	744.5	800.9
Depreciation expense	105.8	106.5	107.9
Impairment of property and equipment	1.8	7.9	47.7
Share-based compensation	148.2	168.9	146.0
Excess tax benefits from share-based compensation	(95.8)	(46.4)	(30.1)
Changes in operating assets and liabilities:			
Receivables, net	(42.9)	(1,899.7)	(418.3)
Other invested assets	5.9	(21.7)	(15.1)
Other assets	33.8	405.5	(33.6)
Policy liabilities	193.0	1,240.6	(345.8)
Unearned income	33.9	255.1	(73.8)
Accounts payable and accrued expenses	(219.3)	(14.4)	303.6
Other liabilities	686.4	(7.9)	(154.6)
Income taxes	41.5	(14.0)	9.3
Other, net	(5.1)	(84.2)	(38.6)
Net cash provided by operating activities	4,116.0	3,369.3	3,052.3
Investing activities			
Purchases of fixed maturity securities	(9,792.0)	(9,613.4)	(13,704.5)
Proceeds from fixed maturity securities:			
Sales	8,909.2	8,066.0	10,977.9
Maturities, calls and redemptions	1,313.6	1,318.7	1,836.8
Purchases of equity securities	(1,561.4)	(912.0)	(820.3)
Proceeds from sales of equity securities	1,471.1	746.5	721.0
Purchases of other invested assets	(505.8)	(205.7)	(251.5)
Proceeds from sales of other invested assets	85.9	124.7	127.1
Settlement of non-hedging derivatives	(16.5)	(67.4)	(109.8)
Changes in securities lending collateral	214.4	(545.6)	(405.1)
Purchases of subsidiaries, net of cash acquired	(638.9)	—	—
Proceeds from sale of subsidiary, net of cash sold	—	740.0	—
Purchases of property and equipment	(638.2)	(714.6)	(646.5)
Proceeds from sales of property and equipment	35.3	88.0	39.2
Other, net	(8.2)	(0.1)	1.3
Net cash used in investing activities	(1,151.5)	(974.9)	(2,234.4)
Financing activities			
Net proceeds from (repayments of) commercial paper borrowings	682.2	(379.2)	(191.7)
Proceeds from long-term borrowings	1,226.5	2,700.0	1,250.0
Repayments of long-term borrowings	(2,697.2)	(1,730.1)	(1,801.9)
Proceeds from short-term borrowings	2,760.0	2,050.0	1,100.0
Repayments of short-term borrowings	(2,620.0)	(2,050.0)	(950.0)
Changes in securities lending payable	(214.4)	545.6	405.0
Changes in bank overdrafts	(243.8)	173.0	9.9
Premiums paid on equity call options	(16.7)	—	(25.8)
Proceeds from sale of put options	16.6	—	—
Repurchase and retirement of common stock	(1,315.8)	(2,598.8)	(1,620.1)
Cash dividends	(656.6)	(480.7)	(448.0)
Proceeds from issuance of common stock under employee stock plans	186.0	301.3	524.7
Excess tax benefits from share-based compensation	95.8	46.4	30.1
Net cash used in financing activities	(2,997.4)	(1,822.5)	(1,717.8)

Effect of foreign exchange rates on cash and cash equivalents	(5.3)	(7.1)	2.2
Change in cash and cash equivalents	(38.2)	564.8	(897.7)
Cash and cash equivalents at beginning of year	2,151.7	1,586.9	2,484.6
Cash and cash equivalents at end of year	2,113.5	2,151.7	1,586.9
Less cash and cash equivalents of discontinued operations at end of year	—	—	(4.8)
Cash and cash equivalents of continuing operations at end of year	\$ 2,113.5	\$ 2,151.7	\$ 1,582.1

See accompanying notes.

Anthem, Inc.
Consolidated Statements of Shareholders' Equity

	Common Stock		Additional	Retained	Accumulated	Total
	Number	Par	Paid-in	Earnings	Other	Shareholders'
	of Shares	Value	Capital		Comprehensive	Equity
					Income (Loss)	
<i>(In millions)</i>						
January 1, 2013	304.7	\$ 3.0	\$ 10,853.5	\$ 12,647.1	\$ 299.1	\$ 23,802.7
Net income	—	—	—	2,489.7	—	2,489.7
Other comprehensive loss	—	—	—	—	(115.9)	(115.9)
Premiums paid on equity options	—	—	(7.9)	—	—	(7.9)
Repurchase and retirement of common stock	(20.7)	(0.1)	(749.5)	(870.5)	—	(1,620.1)
Convertible debentures tax adjustment	—	—	(3.3)	—	—	(3.3)
Dividends and dividend equivalents	—	—	—	(452.4)	—	(452.4)
Issuance of common stock under employee stock plans, net of related tax benefits	9.3	—	672.4	—	—	672.4
December 31, 2013	293.3	2.9	10,765.2	13,813.9	183.2	24,765.2
Net income	—	—	—	2,569.7	—	2,569.7
Other comprehensive loss	—	—	—	—	(11.3)	(11.3)
Settlement of equity options	—	—	(31.4)	—	—	(31.4)
Repurchase and retirement of common stock	(30.4)	(0.2)	(1,115.5)	(1,883.1)	—	(2,998.8)
Dividends and dividend equivalents	—	—	—	(486.1)	—	(486.1)
Issuance of common stock under employee stock plans, net of related tax benefits	5.2	—	444.0	—	—	444.0
December 31, 2014	268.1	2.7	10,062.3	14,014.4	171.9	24,251.3
Net income	—	—	—	2,560.0	—	2,560.0
Other comprehensive loss	—	—	—	—	(464.5)	(464.5)
Premiums for and settlement of equity options	—	—	(14.0)	—	—	(14.0)
Repurchase and retirement of common stock	(10.4)	(0.1)	(382.2)	(1,133.5)	—	(1,515.8)
Dividends and dividend equivalents	—	—	—	(662.4)	—	(662.4)
Issuance of common stock under employee stock plans, net of related tax benefits	3.5	—	308.2	—	—	308.2
Convertible debenture repurchases and conversions	—	—	(1,287.8)	—	—	(1,287.8)
Equity Units contract payments and issuance costs	—	—	(130.9)	—	—	(130.9)
December 31, 2015	261.2	\$ 2.6	\$ 8,555.6	\$ 14,778.5	\$ (292.6)	\$ 23,044.1

See accompanying notes.

Anthem, Inc.

Notes to Consolidated Financial Statements

December 31, 2015

*(In Millions, Except Per Share Data or As Otherwise Stated Herein)***1. Organization**

References to the terms “we”, “our”, “us”, “Anthem” or the “Company” used throughout these Notes to Consolidated Financial Statements refer to Anthem, Inc., an Indiana corporation, and unless the context otherwise requires, its direct and indirect subsidiaries.

We are one of the largest health benefits companies in terms of medical membership in the United States, serving 38.6 medical members through our affiliated health plans as of December 31, 2015. We offer a broad spectrum of network-based managed care plans to large and small employer, individual, Medicaid and Medicare markets. Our managed care plans include: preferred provider organizations, or PPOs; health maintenance organizations, or HMOs; point-of-service, or POS, plans; traditional indemnity plans and other hybrid plans, including consumer-driven health plans, or CDHPs; and hospital only and limited benefit products. In addition, we provide a broad array of managed care services to self-funded customers, including claims processing, underwriting, stop loss insurance, actuarial services, provider network access, medical cost management, disease management, wellness programs and other administrative services. We provide an array of specialty and other insurance products and services such as dental, vision, life and disability insurance benefits, radiology benefit management and analytics-driven personal health care. We also provide services to the federal government in connection with the Federal Employee Program, or FEP. We sold contact lenses, eyeglasses and other ocular products through our 1-800 CONTACTS, Inc., or 1-800 CONTACTS, business which was divested on January 31, 2014.

We are an independent licensee of the Blue Cross and Blue Shield Association, or BCBSA, an association of independent health benefit plans. We serve our members as the Blue Cross licensee for California and as the Blue Cross and Blue Shield, or BCBS, licensee for Colorado, Connecticut, Georgia, Indiana, Kentucky, Maine, Missouri (excluding 30 counties in the Kansas City area), Nevada, New Hampshire, New York (as BCBS in 10 New York City metropolitan and surrounding counties, and as Blue Cross or BCBS in selected upstate counties only), Ohio, Virginia (excluding the Northern Virginia suburbs of Washington, D.C.) and Wisconsin. In a majority of these service areas we do business as Anthem Blue Cross, Anthem Blue Cross and Blue Shield, Blue Cross and Blue Shield of Georgia, and Empire Blue Cross Blue Shield, or Empire Blue Cross (in our New York service areas). We also conduct business through an arrangement with another BCBS licensee in South Carolina. We conduct business through our AMERIGROUP Corporation, or Amerigroup, subsidiary, in Florida, Georgia, Kansas, Louisiana, Maryland, Nevada, New Jersey, New Mexico, New York, Tennessee, Texas, Washington and effective January 1, 2016, in Iowa. In addition, we conduct business through our recently acquired Simply Healthcare Holdings, Inc., or Simply Healthcare, subsidiary in Florida. We also serve customers throughout the country as HealthLink, UniCare (including a non-risk arrangement with Massachusetts), and in certain Arizona, California, Nevada and Virginia markets through our CareMore Health Group, Inc., or CareMore, subsidiary. We are licensed to conduct insurance operations in all 50 states through our subsidiaries.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation: The accompanying consolidated financial statements include the accounts of Anthem and its subsidiaries and have been prepared in conformity with U.S. generally accepted accounting principles, or GAAP. All significant intercompany accounts and transactions have been eliminated in consolidation.

Certain of our subsidiaries operate outside of the United States and have functional currencies other than the U.S. dollar, or USD. We translate the assets and liabilities of those subsidiaries to USD using the exchange rate in effect at the end of the period. We translate the revenues and expenses of those subsidiaries to USD using the average exchange rates in effect during the period. The net effect of these translation adjustments is included in “Foreign currency translation adjustments” in our consolidated statements of comprehensive income.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

Use of Estimates: The preparation of consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents includes available cash and all highly liquid investments with maturities of three months or less when purchased. We control a number of bank accounts that are used exclusively to hold customer funds for the administration of customer benefits. At December 31, 2015 we held \$122.6 of customer cash with an offsetting liability in other current liabilities.

Investments: Certain Financial Accounting Standards Board, or FASB, other-than-temporary impairment, or OTTI, guidance applies to fixed maturity securities and provides guidance on the recognition, presentation of, and disclosures for OTTIs. If a fixed maturity security is in an unrealized loss position and we have the intent to sell the fixed maturity security, or it is more likely than not that we will have to sell the fixed maturity security before recovery of its amortized cost basis, the decline in value is deemed to be other-than-temporary and is presented within the Other-than-temporary impairment losses recognized in income line item on our consolidated statements of income. For impaired fixed maturity securities that we do not intend to sell or it is more likely than not that we will not have to sell such securities, but we expect that we will not fully recover the amortized cost basis, the credit component of the OTTI is presented within the Other-than-temporary impairment losses recognized in income line item on our consolidated statements of income and the non-credit component of the OTTI is recognized in other comprehensive income. Furthermore, unrealized losses entirely caused by non-credit related factors related to fixed maturity securities for which we expect to fully recover the amortized cost basis continue to be recognized in accumulated other comprehensive income, or AOCI.

The credit component of an OTTI is determined primarily by comparing the net present value of projected future cash flows with the amortized cost basis of the fixed maturity security. The net present value is calculated by discounting our best estimate of projected future cash flows at the effective interest rate implicit in the fixed maturity security at the date of acquisition. For mortgage-backed and asset-backed securities, cash flow estimates are based on assumptions regarding the underlying collateral including prepayment speeds, vintage, type of underlying asset, geographic concentrations, default rates, recoveries and changes in value. For all other debt securities, cash flow estimates are driven by assumptions regarding probability of default, including changes in credit ratings, and estimates regarding timing and amount of recoveries associated with a default.

The unrealized gains or losses on our current and long-term equity securities classified as available-for-sale are included in accumulated other comprehensive income as a separate component of shareholders' equity, unless the decline in value is deemed to be other-than-temporary and we do not have the intent and ability to hold such equity securities until their full cost can be recovered, in which case such equity securities are written down to fair value and the loss is charged to other-than-temporary impairment losses recognized in income.

We maintain various rabbi trusts to account for the assets and liabilities under certain deferred compensation plans. Under these plans, the participants can defer certain types of compensation and elect to receive a return on the deferred amounts based on the changes in fair value of various investment options, primarily a variety of mutual funds. We have corporate-owned life insurance policies on certain participants in the deferred compensation plans. The cash surrender value of the corporate-owned life insurance policies is reported in other invested assets, long-term, in the consolidated balance sheets. The remaining rabbi trust assets are generally invested according to the participant's investment election, and are classified as trading, which are reported in other invested assets, current, in the consolidated balance sheets.

We use the equity method of accounting for investments in companies in which our ownership interest enables us to influence the operating or financial decisions of the investee company. Our proportionate share of equity in net income of these unconsolidated affiliates is reported with net investment income.

For asset-backed securities included in fixed maturity securities, we recognize income using an effective yield based on anticipated prepayments and the estimated economic life of the securities. When estimates of prepayments change, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. The net investment in the securities is adjusted to the amount that would have existed had the new effective yield been applied since the acquisition of the securities. Such adjustments are reported with net investment income.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

Investment income is recorded when earned. All securities sold resulting in investment gains and losses are recorded on the trade date. Realized gains and losses are determined on the basis of the cost or amortized cost of the specific securities sold.

We participate in securities lending programs whereby marketable securities in our investment portfolio are transferred to independent brokers or dealers in exchange for cash and securities collateral. Under FASB guidance related to accounting for transfers and servicing of financial assets and extinguishments of liabilities, we recognize the collateral as an asset, which is reported as "Securities lending collateral" on our consolidated balance sheets and we record a corresponding liability for the obligation to return the collateral to the borrower, which is reported as "Securities lending payable." The securities on loan are reported in the applicable investment category on our consolidated balance sheets. Unrealized gains or losses on securities lending collateral are included in accumulated other comprehensive income as a separate component of shareholders' equity. The market value of loaned securities and that of the collateral pledged can fluctuate in non-synchronized fashions. To the extent the loaned securities' value appreciates faster or depreciates slower than the value of the collateral pledged, we are exposed to the risk of the shortfall. As a primary mitigating mechanism, the loaned securities and collateral pledged are marked to market on a daily basis and the shortfall, if any, is collected accordingly. Secondly, the collateral level is set at 102% of the value of the loaned securities, which provides a cushion before any shortfall arises. The investment of the cash collateral is subject to market risk, which is managed by limiting the investments to higher quality and shorter duration instruments.

Premium and Self-Funded Receivables: Premium and self-funded receivables include the uncollected amounts from fully-insured and self-funded groups, individuals and government programs, and are reported net of an allowance for doubtful accounts of \$318.3 and \$213.6 at December 31, 2015 and 2014, respectively. The allowance for doubtful accounts is based on historical collection trends and our judgment regarding the ability to collect specific accounts.

Other Receivables: Other receivables include pharmacy rebates, provider advances, claims recoveries, reinsurance, proceeds due from brokers on investment trades, other government receivables and other miscellaneous amounts due to us. These receivables are reported net of an allowance for doubtful accounts of \$301.2 and \$142.2 at December 31, 2015 and 2014, respectively, which is based on historical collection trends and our judgment regarding the ability to collect specific amounts.

Income Taxes: We file a consolidated income tax return. Deferred income tax assets and liabilities are recognized for temporary differences between the financial statement and tax return bases of assets and liabilities based on enacted tax rates and laws. The deferred tax benefits of the deferred tax assets are recognized to the extent realization of such benefits is more likely than not. Deferred income tax expense or benefit generally represents the net change in deferred income tax assets and liabilities during the year, excluding the impact from amounts initially recorded for business combinations, if any, and amounts recorded to accumulated other comprehensive income. Current income tax expense represents the tax consequences of revenues and expenses currently taxable or deductible on various income tax returns for the year reported.

We account for income tax contingencies in accordance with FASB guidance that contains a model to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing a minimum recognition threshold, which all income tax positions must achieve before being recognized in the financial statements.

Property and Equipment: Property and equipment is recorded at cost, net of accumulated depreciation. Depreciation is computed principally by the straight-line method over estimated useful lives ranging from fifteen to thirty-nine years for buildings and improvements, three to five years for data processing equipment and computer software, and the lesser of the remaining life of the building lease or seven years for furniture and other equipment. Leasehold improvements are depreciated over the term of the related lease. Certain costs related to the development or purchase of internal-use software are capitalized and amortized.

Goodwill and Other Intangible Assets: FASB guidance requires business combinations to be accounted for using the acquisition method of accounting and it also specifies the types of acquired intangible assets that are required to be recognized and reported separately from goodwill. Goodwill represents the excess of cost of acquisition over the fair value of net assets acquired. Other intangible assets represent the values assigned to subscriber bases, provider and hospital networks, Blue Cross and Blue Shield and other trademarks, licenses, non-compete and other agreements. Goodwill and other intangible assets are allocated to reportable segments based on the relative fair value of the components of the businesses acquired.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

Goodwill and other intangible assets with indefinite lives are not amortized but are tested for impairment at least annually. We complete our annual impairment tests of existing goodwill and other intangible assets with indefinite lives during the fourth quarter of each year. Certain interim impairment tests are also performed when potential impairment indicators exist or changes in our business or other triggering events occur. Goodwill and other intangible assets are allocated to reporting units for purposes of the annual goodwill impairment test. In addition, certain other intangible assets with indefinite lives, such as trademarks, are also tested separately.

FASB guidance allows for qualitative assessments of whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount for purposes of a goodwill impairment analysis and whether it is more likely than not that an indefinite-lived intangible asset is impaired for purposes of an indefinite-lived intangible asset impairment analysis. Quantitative analysis must be performed if qualitative analyses are not conclusive. Entities also have the option to bypass the assessment of qualitative factors and proceed directly to performing quantitative analyses. We begin our annual tests with quantitative analyses. Our impairment tests require us to make assumptions and judgments regarding the estimated fair value of our reporting units, including goodwill and other intangible assets with indefinite lives. Estimated fair values developed based on our assumptions and judgments might be significantly different if other reasonable assumptions and estimates were to be used.

Fair value for purposes of the goodwill impairment test is calculated using a blend of a projected income and market valuation approach. The projected income approach is developed using assumptions about future revenue, expenses and net income derived from our internal planning process. Our assumed discount rate is based on our industry's weighted-average cost of capital and reflects volatility associated with the cost of equity capital. Market valuations are based on observed multiples of certain measures including membership, revenue, EBITDA (earnings before interest, taxes, depreciation and amortization) and net income as well as market capitalization analyses of Anthem and other comparable companies. A goodwill impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. This determination is made at the reporting unit level and consists of two steps. First, the fair value of a reporting unit is determined and compared to its carrying amount. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation on a business acquisition, at the impairment test date.

The fair value of indefinite-lived intangible assets is estimated and compared to the carrying value. We estimate the fair value of indefinite-lived intangible assets using a projected income approach. We recognize an impairment loss when the estimated fair value of indefinite-lived intangible assets is less than the carrying value. If significant impairment indicators are noted relative to other intangible assets subject to amortization, we may be required to record impairment losses against future income.

Derivative Financial Instruments: We primarily invest in the following types of derivative financial instruments: interest rate swaps, forward contracts, put and call options, credit default swaps, embedded derivatives, warrants and swaptions. Derivatives embedded within non-derivative instruments, such as options embedded in convertible fixed maturity securities, are bifurcated from the host instrument when the embedded derivative is not clearly and closely related to the host instrument. Our use of derivatives is limited by statutes and regulations promulgated by the various regulatory bodies to which we are subject, and by our own derivative policy. Our derivative use is generally limited to hedging purposes, on an economic basis, and we generally do not use derivative instruments for speculative purposes.

We have exposure to economic losses due to interest rate risk arising from changes in the level or volatility of interest rates. We attempt to mitigate our exposure to interest rate risk through active portfolio management, including rebalancing our existing portfolios of assets and liabilities, as well as changing the characteristics of investments to be purchased or sold in the future. In addition, derivative financial instruments are used to modify the interest rate exposure of certain liabilities or forecasted transactions. These strategies include the use of interest rate swaps and forward contracts, which are used to lock-in interest rates or to hedge, on an economic basis, interest rate risks associated with variable rate debt. We have used these types of instruments as designated hedges against specific liabilities.

All investments in derivatives are recorded as assets or liabilities at fair value. If certain correlation, hedge effectiveness and risk reduction criteria are met, a derivative may be specifically designated as a hedge of exposure to changes in fair value or cash flow. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and

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Notes to Consolidated Financial Statements (continued)

the nature of any hedge designation thereon. Amounts excluded from the assessment of hedge effectiveness, if any, as well as the ineffective portion of the gain or loss, are reported in results of operations immediately. If the derivative is not designated as a hedge, the gain or loss resulting from the change in the fair value of the derivative is recognized in results of operations in the period of change. Cash flows associated with the settlement of non-designated derivatives are shown on a net basis in investing activity in our consolidated statements of cash flow.

From time to time, we may also purchase derivatives to hedge, on an economic basis, our exposure to foreign currency exchange fluctuations associated with the operations of certain of our subsidiaries. We generally use futures or forward contracts for these transactions. We generally do not designate these contracts as hedges and, accordingly, the changes in fair value of these derivatives are recognized in income immediately.

Credit exposure associated with non-performance by the counterparties to derivative instruments is generally limited to the uncollateralized fair value of the asset related to instruments recognized in the consolidated balance sheets. We attempt to mitigate the risk of non-performance by selecting counterparties with high credit ratings and monitoring their creditworthiness and by diversifying derivatives among multiple counterparties. At December 31, 2015, we believe there were no material concentrations of credit risk with any individual counterparty.

We generally enter into master netting agreements, which reduce credit risk by permitting net settlement of transactions with the same counterparty. Certain of our derivative agreements also contain credit support provisions that require us or the counterparty to post collateral if there are declines in the derivative fair value or our credit rating. The derivative assets and derivative liabilities are reported at their fair values net of collateral and netting by the counterparty. At December 31, 2015 we had posted collateral of \$182.7 and received collateral of \$32.2 related to our derivative financial instruments.

Retirement Benefits: We recognize the funded status of pension and other postretirement benefit plans on the consolidated balance sheets based on fiscal-year-end measurements of plan assets and benefit obligations. Prepaid pension benefits represent prepaid costs related to defined benefit pension plans and are reported with other noncurrent assets. Postretirement benefits represent outstanding obligations for retiree medical, life, vision and dental benefits. Liabilities for pension and other postretirement benefits are reported with current and noncurrent liabilities based on the amount by which the actuarial present value of benefits payable in the next twelve months included in the benefit obligation exceeds the fair value of plan assets.

We determine the expected return on plan assets using the calculated value of plan assets, which recognizes changes in the fair value of plan assets in a systematic manner over three years. We apply a corridor approach to amortize unrecognized actuarial gains or losses. Under this approach, only accumulated net actuarial gains or losses in excess of 10% of the greater of the projected benefit obligation or the fair value of plan assets are amortized over the average remaining service or lifetime of the workforce as a component of net periodic benefit cost.

Medical Claims Payable: Liabilities for medical claims payable include estimated provisions for incurred but not paid claims on an undiscounted basis, as well as estimated provisions for expenses related to the processing of claims. Incurred but not paid claims include (1) an estimate for claims that are incurred but not reported, as well as claims reported to us but not yet processed through our systems; and (2) claims reported to us and processed through our systems but not yet paid.

Liabilities for both claims incurred but not reported and reported but not yet processed through our systems are determined in aggregate by employing actuarial methods that are commonly used by health insurance actuaries and meet Actuarial Standards of Practice. Actuarial Standards of Practice require that the claim liabilities be appropriate under moderately adverse circumstances. We determine the amount of the liability for incurred but not paid claims by following a detailed actuarial process that entails using both historical claim payment patterns as well as emerging medical cost trends to project our best estimate of claim liabilities.

We regularly review and set assumptions regarding cost trends and utilization when initially establishing claim liabilities. We continually monitor and adjust the claims liability and benefit expense based on subsequent paid claims activity. If our assumptions regarding cost trends and utilization are significantly different than actual results, our income statement and financial position could be impacted in future periods.

Premium deficiencies are recognized when it is probable that expected claims and administrative expenses will exceed future premiums on existing medical insurance contracts without consideration of investment income. Determination of

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premium deficiencies for longer duration life and disability contracts includes consideration of investment income. For purposes of premium deficiencies, contracts are deemed to be either short or long duration and are grouped in a manner consistent with our method of acquiring, servicing and measuring the profitability of such contracts. Once established, premium deficiencies are released commensurate with actual claims experience over the remaining life of the contract. No premium deficiencies were established at December 31, 2015 or 2014.

Reserves for Future Policy Benefits: Reserves for future policy benefits include liabilities for life and long-term disability insurance policy benefits based upon interest, mortality and morbidity assumptions from published actuarial tables, modified based upon our experience. Future policy benefits also include liabilities for insurance policies for which some of the premiums received in earlier years are intended to pay anticipated benefits to be incurred in future years. Future policy benefits are continually monitored and reviewed, and when reserves are adjusted, differences are reflected in benefit expense.

The current portion of reserves for future policy benefits relates to the portion of such reserves that we expect to pay within one year. We believe that our liabilities for future policy benefits, along with future premiums received are adequate to satisfy our ultimate benefit liability; however, these estimates are inherently subject to a number of variable circumstances. Consequently, the actual results could differ materially from the amounts recorded in our consolidated financial statements.

Other Policyholder Liabilities: Other policyholder liabilities include rate stabilization reserves associated with retrospectively rated insurance contracts and certain case-specific reserves. Other policyholder liabilities also includes liabilities for premium refunds based upon the minimum medical loss ratio, or MLR, the relative health risk of members, or other contractual or regulatory requirements. Rate stabilization reserves represent accumulated premiums that exceed what customers owe us based on actual claim experience. The timing of payment of these retrospectively rated refunds is based on the contractual terms with the customers and can vary from period to period based on the specific contractual requirements.

We are required to meet certain minimum MLR thresholds prescribed by the Patient Protection and Affordable Care Act, or ACA, and related Health Care and Education Reconciliation Act of 2010, or collectively, Health Care Reform. If we do not meet or exceed the minimum MLR thresholds specified by Health Care Reform, we are required to pay rebates to certain customers. Minimum MLR rebates are calculated by applicable line of business (Large Group, Small Group, Individual and Medicare) and legal entity in accordance with regulations issued by the Department of Health and Human Services, or HHS. Such calculations are made using estimated calendar year medical loss expense and premiums, as defined by HHS.

We follow HHS guidelines for determining the types of expenses that may be included in our minimum MLR rebate calculations, which differ from benefit expense and premiums as reported in our consolidated financial statements prepared in conformity with GAAP. Certain amounts reported as expense in our GAAP basis consolidated financial statements may be reported as a reduction of premiums in accordance with HHS regulations. In addition, profit amounts included in our payments to third party administrative service providers are recorded as benefit expense in our consolidated GAAP financial statements while HHS does not allow for the inclusion of these expenses within the medical loss expense for purposes of calculating minimum MLR.

Revenue Recognition: Premiums for fully-insured contracts are recognized as revenue over the period insurance coverage is provided, and, if applicable, net of amounts recognized for the Health Care Reform minimum MLR rebates, risk adjustment, reinsurance and risk corridor or contractual premium stabilization programs. Premium payments from contracted government agencies are based on eligibility lists produced by the government agencies. Premiums related to the unexpired contractual coverage periods are reflected in the accompanying consolidated balance sheets as unearned income. Premiums include revenue from retrospectively rated contracts where revenue is based on the estimated ultimate loss experience of the contract. Premium revenue includes an adjustment for retrospectively rated refunds based on an estimate of incurred claims. Premium rates for certain lines of business are subject to approval by the Department of Insurance of each respective state. Additionally, delays in annual premium rate changes from contracted government agencies require that we defer the recognition of any increases to the period in which the premium rates become final. The value of the impact can be significant in the period in which it is recognized dependent on the magnitude of the premium rate increase, the membership to which it applies and the length of the delay between the effective date of the rate increase and the final contract date. Premium rate decreases are recognized in the period the change in premium rate becomes effective and the change in the rate is known, which may be prior to the period when the contract amendment affecting the rate is finalized.

Administrative fees include revenue from certain group contracts that provide for the group to be at risk for all, or with supplemental insurance arrangements, a portion of their claims experience. We charge these self-funded groups an

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Notes to Consolidated Financial Statements (continued)

administrative fee, which is based on the number of members in a group or the group's claim experience. In addition, administrative fees include amounts received for the administration of Medicare or certain other government programs. Under our self-funded arrangements, revenue is recognized as administrative services are performed. All benefit payments under these programs are excluded from benefit expense.

Share-Based Compensation: Our current compensation philosophy provides for share-based compensation, including stock options, restricted stock awards and an employee stock purchase plan. Stock options are granted for a fixed number of shares with an exercise price at least equal to the fair value of the shares at the date of the grant. Restricted stock awards are issued at the fair value of the stock on the grant date. The employee stock purchase plan allows for a purchase price per share which is 95% of the fair value of a share of common stock on the last trading day of the plan quarter. The employee stock purchase plan discount is not recognized as compensation expense based on GAAP guidance. All other share-based payments to employees are recognized as compensation expense in the income statement based on their fair values. Additionally, excess tax benefits, which result from actual tax benefits exceeding deferred tax benefits previously recognized based on grant date fair value, are recognized as additional paid-in-capital and are reclassified from operating cash flows to financing cash flows in the consolidated statements of cash flows. Our share-based employee compensation plans and assumptions are described in Note 14, "Capital Stock."

Advertising and Marketing Costs: We use print, broadcast and other advertising to promote our products and to develop our corporate image. We market our products through direct marketing activities and an extensive network of independent agents, brokers and retail partnerships for Individual and Medicare customers, and for certain Local Group customers with a smaller employee base. Products for National Accounts and Local Group customers with a larger employee base are generally sold through independent brokers or consultants retained by the customer and working with industry specialists from our in-house sales force. In the Individual and Small Group markets we offer products through state or federally facilitated marketplaces, or public exchanges, and off-exchange products. The cost of advertising and marketing for product promotion is expensed as incurred while advertising and marketing costs associated with corporate image is expensed when first aired. Total advertising and marketing expense was \$313.5, \$337.0 and \$350.9 for the years ended December 31, 2015, 2014 and 2013, respectively.

Health Insurance Provider Fee: Beginning in 2014, Health Care Reform imposed an annual Health Insurance Provider Fee, or HIP Fee, on health insurers that write certain types of health insurance on U.S. risks. The annual HIP Fee is allocated to health insurers based on the ratio of the amount of an insurer's net premium revenues written during the preceding calendar year to an adjusted amount of health insurance for all U.S. health risk for those certain lines of business written during the preceding calendar year. The HIP Fee is non-deductible for federal income tax purposes. The total amount collected from allocations to health insurers in 2015 and 2014 was \$11,300.0 and \$8,000.0, respectively. We record our estimated liability for the HIP Fee in full at the beginning of the year with a corresponding deferred asset that is amortized on a straight-line basis to general and administrative expense. The final calculation and payment of the annual HIP Fee occurs in the third quarter each year and our portion of the HIP Fee for 2015 and 2014 was \$1,207.5 and \$893.3, respectively. The annual HIP Fee to be allocated to all health insurers remains at \$11,300.0 for 2016, has been suspended for 2017 and will resume and be increased to \$14,300.0 for 2018. For 2019 and beyond, the annual HIP Fee will equal the amount for the preceding year increased by the rate of premium growth for the preceding year less the rate of growth in the consumer price index for the preceding calendar year.

Earnings per Share: Earnings per share amounts, on a basic and diluted basis, have been calculated based upon the weighted-average common shares outstanding for the period.

Basic earnings per share excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share includes the dilutive effect of stock options, restricted stock and convertible debentures, using the treasury stock method. The treasury stock method assumes exercise of stock options and vesting of restricted stock, with the assumed proceeds used to purchase common stock at the average market price for the period. The difference between the number of shares assumed issued and number of shares assumed purchased represents the dilutive shares.

Recently Adopted Accounting Guidance: In November 2015, the FASB issued Accounting Standards Update No. 2015-17, *Balance Sheet Classification of Deferred Taxes*, or ASU 2015-17. This amendment requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. Prior to the

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issuance of ASU 2015-17, deferred taxes were required to be presented as a net current asset or liability and a net noncurrent asset or liability. We adopted the provisions of ASU 2015-17 upon issuance and prior period amounts have been reclassified to conform to the current period presentation. As of December 31, 2014, the previously reported balance of our net current deferred tax assets of \$280.4 was reclassified in the consolidated balance sheet and netted against the net long-term deferred tax liabilities. The adoption of ASU 2015-17 did not impact our consolidated financial position, results of operations or cash flows.

In September 2015, the FASB issued Accounting Standards Update No. 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*, or ASU 2015-16. This amendment requires the acquirer in a business combination to recognize in the reporting period in which adjustment amounts are determined, any adjustments to provisional amounts that are identified during the measurement period, calculated as if the accounting had been completed at the acquisition date. Prior to the issuance of ASU 2015-16, an acquirer was required to restate prior period financial statements as of the acquisition date for adjustments to provisional amounts. The amendments in ASU 2015-16 are to be applied prospectively upon adoption. The adoption of the provisions of ASU 2015-16 upon issuance did not have a material impact on our consolidated financial position, results of operations or cash flows.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, or ASU 2015-03. ASU 2015-03 amends current presentation guidance by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Prior to the issuance of ASU 2015-03, debt issuance costs were required to be presented as an asset in the balance sheet. We adopted the provisions of ASU 2015-03 upon issuance and prior period amounts have been reclassified to conform to the current period presentation. As of December 31, 2014, \$0.7 of debt issuance costs were reclassified in the consolidated balance sheet from other current assets to current portion of long-term debt and \$107.6 was reclassified from other noncurrent assets to long-term debt, less current portion. The adoption of ASU 2015-03 did not impact our consolidated financial position, results of operations or cash flows.

In June 2014, the FASB issued Accounting Standards Update No. 2014-11, *Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*, or ASU 2014-11. This amendment requires repurchase-to-maturity transactions to be accounted for as secured borrowings and eliminates previous guidance for repurchase financings. The amendment also expands the disclosure requirements related to certain transactions accounted for as secured borrowings and certain transfers accounted for as sales when the transferor also retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction. The amendments related to the accounting of, and disclosure requirements for, certain transactions accounted for as a sale became effective as of January 1, 2015 and did not have an impact on our consolidated financial position, results of operations, cash flows or disclosures. The new disclosure requirements for repurchase agreements, securities lending transactions and repurchase-to-maturity transactions accounted for as secured borrowings became effective as of April 1, 2015. See Note 4, "Investments - Securities Lending Programs," for additional disclosure information related to the adoption of ASU 2014-11.

Recent Accounting Guidance Not Yet Adopted: In January 2016, the FASB issued Accounting Standards Update No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, or ASU 2016-01. The amendments in ASU 2016-01 change the accounting for non-consolidated equity investments that are not accounted for under the equity method of accounting by requiring changes in fair value to be recognized in income. Under current guidance, changes in fair value for investments of this nature are recognized in accumulated other comprehensive income as a component of shareholders' equity. Additionally, ASU 2016-01 simplifies the impairment assessment of equity investments without readily determinable fair values; requires entities to use the exit price when estimating the fair value of financial instruments; and modifies various presentation disclosure requirements for financial instruments. ASU 2016-01 is effective for interim and annual reporting periods beginning after December 15, 2017. We are currently evaluating the effects the adoption of ASU 2016-01 will have on our results of operations and related disclosures.

In August 2015, the FASB issued Accounting Standards Update No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. This amendment defers the effective date of the previously issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, or ASU 2014-09, until the interim and annual reporting periods beginning after December 15, 2017. Earlier application is permitted for interim and annual reporting

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periods beginning after December 15, 2016. We intend to adopt the provisions of ASU 2014-09 for interim and annual reporting periods beginning after December 15, 2017. Upon the effective date, ASU 2014-09 will supersede almost all existing revenue recognition guidance under GAAP, with certain exceptions, including an exception for revenue accounted for in accordance with the provisions of Accounting Standards Codification Topic 944, *Financial Services - Insurance*, or Topic 944. ASU 2014-09 will require a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. An entity has the option to apply the provisions of ASU 2014-09 either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the new guidance recognized at the date of initial application. We are currently evaluating the effects the adoption of ASU 2014-09 will have on our results of operations, cash flows, consolidated financial position and related disclosures.

In May 2015, the FASB issued Accounting Standards Update No. 2015-09, *Financial Services—Insurance (Topic 944): Disclosures about Short-Duration Contracts*, or ASU 2015-09. This amendment requires new and expanded disclosures in interim and annual reporting periods related to the liability for unpaid claims and claim adjustment expenses for short-duration insurance contracts. ASU 2015-09 is effective for annual reporting periods beginning after December 15, 2015, and interim reporting periods within annual reporting periods beginning after December 15, 2016. The adoption of ASU 2015-09 will not impact our consolidated financial position, results of operations or cash flows.

In April 2015, the FASB issued Accounting Standards Update No. 2015-05, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*, or ASU 2015-05. This amendment provides guidance to help entities determine whether a cloud computing arrangement contains a software license that should be accounted for as internal-use software or as a service contract. ASU 2015-05 is effective for interim and annual reporting periods beginning after December 15, 2015. Upon adoption, an entity has the option to apply the provisions of ASU 2015-05 either prospectively to all arrangements entered into or materially modified, or retrospectively. The adoption of ASU 2015-05 is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

In February 2015, the FASB issued Accounting Standards Update No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*, or ASU 2015-02. ASU 2015-02 amends current consolidation guidance by modifying the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, eliminating the presumption that a general partner should consolidate a limited partnership, and affects the consolidation analysis of reporting entities that are involved with variable interest entities. ASU No. 2015-02 is effective for interim and annual reporting periods beginning after December 15, 2015. All legal entities are subject to reevaluation under the revised consolidation model. The adoption of ASU 2015-02 is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

There were no other new accounting pronouncements that were issued or became effective during the year ended December 31, 2015 that had, or are expected to have, a material impact on our financial position, results of operations, cash flows or financial statement disclosures.

3. Business Acquisitions and Divestiture

Pending Acquisition of Cigna Corporation

On July 24, 2015, we and Cigna Corporation, or Cigna, announced that we entered into an Agreement and Plan of Merger, or Merger Agreement, dated as of July 23, 2015, by and among Anthem, Cigna and Anthem Merger Sub Corp., a Delaware corporation and our direct wholly-owned subsidiary, pursuant to which we will acquire all outstanding shares of Cigna, or the Acquisition. The Acquisition will further our goal of creating a premier health benefits company with critical diversification and scale to lead the transformation of health care delivery for consumers. Cigna is a global health services organization that delivers affordable and personalized products and services to customers through employer-based, government-sponsored and individual coverage arrangements. All of Cigna's products and services are provided exclusively by or through its operating subsidiaries, including Connecticut General Life Insurance Company, Cigna Health and Life Insurance Company, Life Insurance Company of North America and Cigna Life Insurance Company of New York. Such products and services include an integrated suite of health services, such as medical, dental, behavioral health, pharmacy,

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vision, supplemental benefits, and other related products including group life, accident and disability insurance. Cigna maintains sales capability in 30 countries and jurisdictions.

Under the terms of the Merger Agreement, Cigna's shareholders will receive \$103.40 in cash and 0.5152 shares of our common stock for each Cigna common share outstanding. The value of the transaction is estimated to be approximately \$53,000.0 based on the closing price of our common stock on the New York Stock Exchange on July 23, 2015. The final purchase price will be determined based on our closing stock price on the date of closing of the Acquisition. The combined company will reflect a pro forma equity ownership comprised of approximately 67% Anthem shareholders and approximately 33% Cigna shareholders. We expect to finance the cash portion of the Acquisition through available cash on hand and the issuance of new debt. We entered into a bridge facility commitment letter and a joinder agreement with a group of lenders which will provide up to \$22,500.0 under a 364-day senior unsecured bridge term loan credit facility to finance the Acquisition in the event that we have not received proceeds from any combination of (i) senior unsecured term loans, (ii) common or preferred equity or equity-linked securities and/or (iii) senior unsecured notes in a public offering or private placement in an aggregate principal amount of at least \$22,500.0 prior to the consummation of the Acquisition. In addition, in August 2015, we entered into a term loan facility which will provide up to \$4,000.0 to finance a portion of the Acquisition. The commitment of the lenders to provide the bridge facility and the term loan facility is subject to several conditions, including the completion of the Acquisition.

Acquisition of Simply Healthcare

On February 17, 2015, we completed our acquisition of Simply Healthcare, a leading managed care company for people enrolled in Medicaid and Medicare programs in Florida. This acquisition aligns with our strategy for continued growth in our Government Business segment.

In accordance with FASB accounting guidance for business combinations, the consideration transferred was allocated to the fair value of Simply Healthcare's assets acquired and liabilities assumed, including identifiable intangible assets. The excess of the consideration transferred over the fair value of net assets acquired resulted in non-tax-deductible goodwill of \$474.7 at December 31, 2015, all of which was allocated to our Government Business segment. Goodwill recognized from the acquisition of Simply Healthcare primarily relates to the future economic benefits arising from the assets acquired and is consistent with our stated intentions to strengthen our position and expand operations in the government sector to service Medicaid and Medicare enrollees. Subsequent to the acquisition date, we recognized a \$14.2 reduction to goodwill primarily related to adjustments to provisional amounts of intangible assets recorded on the acquisition date.

The fair value of the net assets acquired from Simply Healthcare includes \$430.0 of other intangible assets, which primarily consist of indefinite-lived state licenses and finite-lived customer relationships with amortization periods ranging from 2 to 4 years.

The results of operations of Simply Healthcare are included in our consolidated financial statements within our Government Business segment for the period following February 17, 2015. The pro-forma effects of this acquisition for prior periods were not material to our consolidated results of operations.

Divestiture of 1-800 CONTACTS

In December 2013, we entered into a definitive agreement to sell our 1-800 CONTACTS business to the private equity firm Thomas H. Lee Partners, L.P. Additionally, we entered into an asset purchase agreement with Luxottica Group to sell our glasses.com related assets, or collectively, 1-800 CONTACTS. The operating results for 1-800 CONTACTS are reported as discontinued operations in the accompanying consolidated statements of income. These results were previously reported in the Commercial and Specialty Business segment.

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The sales were completed on January 31, 2014 and did not result in any material difference to the loss on disposal from discontinued operations recorded during the year ended December 31, 2013. Prior to the sales, 2014 income from discontinued operations, net of tax, was \$9.6. Summarized financial information for the 1-800 CONTACTS discontinued operations for the year ended December 31, 2013 is as follows:

	<u>2013</u>
Revenues	<u>\$ 434.7</u>
Income from discontinued operations before tax	\$ 17.3
Income tax benefit	<u>(2.6)</u>
Income from discontinued operations	19.9
Loss on disposal from discontinued operations, net of tax	<u>(164.5)</u>
Loss from discontinued operations, net of tax	<u>\$ (144.6)</u>

In connection with the sale of 1-800 CONTACTS, we recognized a loss on disposal of \$221.8, net of an income tax benefit of \$57.3 for the year ended December 31, 2013. The loss on disposal was calculated as the difference between the fair value, as determined by the sales agreements less costs to sell, and the carrying value of the held for sale assets at December 31, 2013.

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4. Investments

A summary of current and long-term investments, available-for-sale, at December 31, 2015 and 2014 is as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Estimated Fair Value	Non-Credit Component of Other-Than- Temporary Impairments Recognized in AOCI
			Less than 12 Months	12 Months or Greater		
December 31, 2015						
Fixed maturity securities:						
United States Government securities	\$ 349.5	\$ 2.0	\$ (1.6)	\$ —	\$ 349.9	\$ —
Government sponsored securities	75.6	0.5	(0.1)	(0.1)	75.9	—
States, municipalities and political subdivisions, tax-exempt	5,976.7	284.1	(4.0)	(5.2)	6,251.6	—
Corporate securities	8,209.7	61.1	(267.2)	(110.5)	7,893.1	(15.4)
Residential mortgage-backed securities	1,724.5	41.2	(7.6)	(7.2)	1,750.9	—
Commercial mortgage-backed securities	407.6	1.4	(4.3)	(0.4)	404.3	—
Other debt securities	756.8	4.1	(5.8)	(2.6)	752.5	—
Total fixed maturity securities	17,500.4	394.4	(290.6)	(126.0)	17,478.2	\$ (15.4)
Equity securities	1,083.1	420.6	(30.9)	—	1,472.8	—
Total investments, available-for-sale	\$ 18,583.5	\$ 815.0	\$ (321.5)	\$ (126.0)	\$ 18,951.0	
December 31, 2014						
Fixed maturity securities:						
United States Government securities	\$ 315.7	\$ 4.6	\$ (0.3)	\$ —	\$ 320.0	\$ —
Government sponsored securities	94.6	0.8	—	(0.4)	95.0	—
States, municipalities and political subdivisions, tax-exempt	5,451.4	287.0	(1.8)	(3.0)	5,733.6	—
Corporate securities	8,335.9	162.9	(123.1)	(43.2)	8,332.5	(6.8)
Options embedded in convertible securities	98.7	—	—	—	98.7	—
Residential mortgage-backed securities	2,099.7	68.9	(1.0)	(8.6)	2,159.0	—
Commercial mortgage-backed securities	504.8	6.1	(0.6)	(0.4)	509.9	—
Other debt securities	720.3	6.1	(1.7)	(1.6)	723.1	—
Total fixed maturity securities	17,621.1	536.4	(128.5)	(57.2)	17,971.8	\$ (6.8)
Equity securities	1,330.7	618.5	(11.1)	—	1,938.1	—
Total investments, available-for-sale	\$ 18,951.8	\$ 1,154.9	\$ (139.6)	\$ (57.2)	\$ 19,909.9	

At December 31, 2015, we owned \$2,155.2 of mortgage-backed securities and \$698.6 of asset-backed securities out of a total available-for-sale investment portfolio of \$18,951.0. These securities included sub-prime and Alt-A securities with fair values of \$30.9 and \$58.2, respectively. These sub-prime and Alt-A securities had accumulated net unrealized gains of \$1.0 and \$3.3, respectively. The average credit rating of the sub-prime and Alt-A securities was "CCC" and "CC", respectively.

At December 31, 2015, we owned \$777.2 of energy sector fixed maturity securities out of a total available-for-sale investment portfolio of \$18,951.0. These energy sector securities had accumulated net unrealized losses of \$172.0.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

For available-for-sale securities in an unrealized loss position at December 31, 2015 and 2014, the following table summarizes the aggregate fair values and gross unrealized losses by length of time those securities have continuously been in an unrealized loss position:

	Less than 12 Months			12 Months or Greater		
	Number of Securities	Estimated Fair Value	Gross Unrealized Loss	Number of Securities	Estimated Fair Value	Gross Unrealized Loss
<i>(Securities are whole amounts)</i>						
December 31, 2015						
Fixed maturity securities:						
United States Government securities	48	\$ 248.4	\$ (1.6)	2	\$ 0.9	\$ —
Government sponsored securities	13	18.3	(0.1)	6	8.2	(0.1)
States, municipalities and political subdivisions, tax-exempt	198	467.8	(4.0)	43	83.0	(5.2)
Corporate securities	2,492	4,912.3	(267.2)	372	447.0	(110.5)
Residential mortgage-backed securities	298	668.3	(7.6)	119	186.3	(7.2)
Commercial mortgage-backed securities	66	263.0	(4.3)	17	38.5	(0.4)
Other debt securities	153	488.2	(5.8)	28	77.0	(2.6)
Total fixed maturity securities	3,268	7,066.3	(290.6)	587	840.9	(126.0)
Equity securities	792	261.1	(30.9)	—	—	—
Total fixed maturity and equity securities	4,060	\$ 7,327.4	\$ (321.5)	587	\$ 840.9	\$ (126.0)
December 31, 2014						
Fixed maturity securities:						
United States Government securities	17	\$ 145.3	\$ (0.3)	2	\$ 0.9	\$ —
Government sponsored securities	2	0.3	—	16	29.3	(0.4)
States, municipalities and political subdivisions, tax-exempt	136	315.6	(1.8)	80	174.3	(3.0)
Corporate securities	1,802	3,213.3	(123.1)	314	514.6	(43.2)
Residential mortgage-backed securities	78	155.0	(1.0)	186	398.3	(8.6)
Commercial mortgage-backed securities	43	156.2	(0.6)	10	33.2	(0.4)
Other debt securities	79	270.6	(1.7)	21	65.0	(1.6)
Total fixed maturity securities	2,157	4,256.3	(128.5)	629	1,215.6	(57.2)
Equity securities	407	125.4	(11.1)	—	—	—
Total fixed maturity and equity securities	2,564	\$ 4,381.7	\$ (139.6)	629	\$ 1,215.6	\$ (57.2)

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

The amortized cost and fair value of available-for-sale fixed maturity securities at December 31, 2015, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations.

	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 276.6	\$ 278.6
Due after one year through five years	4,872.9	4,792.3
Due after five years through ten years	5,392.0	5,390.1
Due after ten years	4,826.8	4,862.0
Mortgage-backed securities	2,132.1	2,155.2
Total available-for-sale fixed maturity securities	<u>\$ 17,500.4</u>	<u>\$ 17,478.2</u>

The major categories of net investment income (loss) for the years ended December 31 are as follows:

	2015	2014	2013
Fixed maturity securities	\$ 679.0	\$ 644.1	\$ 638.9
Equity securities	61.7	57.7	45.9
Cash equivalents	0.7	0.8	1.0
Other	(22.6)	66.3	19.8
Investment income	718.8	768.9	705.6
Investment expense	(41.2)	(44.5)	(46.5)
Net investment income	<u>\$ 677.6</u>	<u>\$ 724.4</u>	<u>\$ 659.1</u>

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

Net realized investment gains/losses and net change in unrealized appreciation/depreciation in investments for the years ended December 31 are as follows:

	2015	2014	2013
Net realized gains (losses) on investments:			
Fixed maturity securities:			
Gross realized gains from sales	\$ 135.9	\$ 198.2	\$ 225.9
Gross realized losses from sales	(182.1)	(50.6)	(125.7)
Net realized (losses) gains from sales of fixed maturity securities	(46.2)	147.6	100.2
Equity securities:			
Gross realized gains from sales	233.4	93.5	189.6
Gross realized losses from sales	(45.1)	(13.9)	(13.4)
Net realized gains from sales of equity securities	188.3	79.6	176.2
Other investments:			
Gross realized gains from sales	139.8	14.4	107.2
Gross realized losses from sales	(124.4)	(64.6)	(111.7)
Net realized gains (losses) from sales of other investments	15.4	(50.2)	(4.5)
Net realized gains on investments	157.5	177.0	271.9
Other-than-temporary impairment losses recognized in income:			
Fixed maturity securities	(31.2)	(22.3)	(42.5)
Equity securities	(35.6)	(13.5)	(13.9)
Other invested assets, long-term	(16.6)	(13.2)	(42.5)
Other-than-temporary impairment losses recognized in income	(83.4)	(49.0)	(98.9)
Change in net unrealized (losses) gains on investments:			
Fixed maturity securities	(372.9)	145.2	(679.8)
Equity securities	(217.7)	36.5	225.4
Other invested assets, long-term	(4.1)	—	—
Total change in net unrealized (losses) gains on investments	(594.7)	181.7	(454.4)
Deferred income tax benefit (expense)	210.4	(63.1)	159.7
Net change in net unrealized (losses) gains on investments	(384.3)	118.6	(294.7)
Net realized gains on investments, other-than-temporary impairment losses recognized in income and net change in net unrealized (losses) gains on investments	\$ (310.2)	\$ 246.6	\$ (121.7)

A primary objective in the management of our fixed maturity and equity portfolios is to maximize total return relative to underlying liabilities and respective liquidity needs. In achieving this goal, assets may be sold to take advantage of market conditions or other investment opportunities as well as tax considerations. Sales will generally produce realized gains and losses. In the ordinary course of business, we may sell securities at a loss for a number of reasons, including, but not limited to: (i) changes in the investment environment; (ii) expectations that the fair value could deteriorate further; (iii) desire to reduce exposure to an issuer or an industry; (iv) changes in credit quality; or (v) changes in expected cash flow.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

Proceeds from fixed maturity securities, equity securities and other invested assets and the related gross realized gains and gross realized losses for the years ended December 31 are as follows:

	2015	2014	2013
Proceeds	\$ 11,779.8	\$ 10,255.9	\$ 13,662.8
Gross realized gains	509.1	306.1	522.7
Gross realized losses	(351.6)	(129.1)	(250.8)

A significant judgment in the valuation of investments is the determination of when an other-than-temporary decline in value has occurred. We follow a consistent and systematic process for recognizing impairments on securities that sustain other-than-temporary declines in value. We have established a committee responsible for the impairment review process. The decision to impair a security incorporates both quantitative criteria and qualitative information. The impairment review process considers a number of factors including, but not limited to: (i) the length of time and the extent to which the fair value has been less than book value, (ii) the financial condition and near term prospects of the issuer, (iii) our intent and ability to retain impaired investments for a period of time sufficient to allow for any anticipated recovery in fair value, (iv) our intent to sell or the likelihood that we will need to sell a fixed maturity security before recovery of its amortized cost basis, (v) whether the debtor is current on interest and principal payments, (vi) the reasons for the decline in value (i.e., credit event compared to liquidity, general credit spread widening, currency exchange rate or interest rate factors) and (vii) general market conditions and industry or sector specific factors. For securities that are deemed to be other-than-temporarily impaired, the security is adjusted to fair value and the resulting losses are recognized in the consolidated statements of income. The new cost basis of the impaired securities is not increased for future recoveries in fair value.

Other-than-temporary impairments recorded in 2015, 2014 and 2013 were primarily the result of the continued credit deterioration on specific issuers in the bond markets and the fair values of certain equity securities remaining below cost for an extended period of time. There were no individually significant OTTI losses on investments by issuer during 2015, 2014 or 2013.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in these risk factors in the near term could have an adverse material impact on our results of operations or shareholders' equity.

The changes in the amount of the credit component of OTTI losses on fixed maturity securities recognized in income, for which a portion of the OTTI losses was recognized in other comprehensive income, was not material for the years ended December 31, 2015, 2014 or 2013.

At December 31, 2015 and 2014, no investments exceeded 10% of shareholders' equity.

At December 31, 2015 and 2014, the carrying value of fixed maturity investments that did not produce income during the years then ended were \$0.2 and \$9.2, respectively.

As of December 31, 2015 we had committed approximately \$662.3 to future capital calls from various third-party investments in exchange for an ownership interest in the related entities.

At December 31, 2015 and 2014, securities with carrying values of approximately \$558.2 and \$504.4, respectively, were deposited by our insurance subsidiaries under requirements of regulatory authorities.

In the tables above, certain amounts for the years ended December 31, 2014 and 2013 have been reclassified to conform to the current year presentation. The reclassifications do not impact amounts presented in the financial statements.

Securities Lending Programs

The fair value of the collateral received at the time of the securities lending transactions amounted to \$1,300.9 and \$1,515.3 at December 31, 2015 and 2014, respectively. The value of the collateral represented 103% of the market value of the securities on loan at December 31, 2015 and 2014.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

The remaining contractual maturity of our securities lending agreements at December 31, 2015 is as follows:

	Overnight and Continuous	Less than 30 days	30-90 days	Greater Than 90 days	Total
Securities lending transactions					
United States Government securities	\$ 102.3	\$ 9.7	\$ 1.0	\$ 32.1	\$ 145.1
Corporate securities	813.3	—	—	—	813.3
Equity securities	300.2	6.3	—	—	306.5
Other debt securities	36.0	—	—	—	36.0
Total	\$ 1,251.8	\$ 16.0	\$ 1.0	\$ 32.1	\$ 1,300.9

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Notes to Consolidated Financial Statements (continued)

5. Derivative Financial Instruments

A summary of the aggregate contractual or notional amounts and estimated fair values related to derivative financial instruments at December 31, 2015 and 2014 is as follows:

	Contractual/ Notional Amount	Balance Sheet Location	Estimated Fair Value	
			Asset	(Liability)
December 31, 2015				
<u>Hedging instruments</u>				
Interest rate swaps - fixed to floating	\$ 1,385.0	Other assets/other liabilities	\$ 7.0	\$ (0.8)
Interest rate swaps - forward starting pay fixed	4,650.0	Other assets/other liabilities	15.7	(90.9)
Subtotal hedging	<u>6,035.0</u>	Subtotal hedging	<u>22.7</u>	<u>(91.7)</u>
<u>Non-hedging instruments</u>				
Interest rate swaps	271.7	Equity securities	1.2	(6.0)
Options	16,917.4	Other assets/other liabilities	305.7	(332.1)
Futures	—	Equity securities	0.1	(0.2)
Subtotal non-hedging	<u>17,189.1</u>	Subtotal non-hedging	<u>307.0</u>	<u>(338.3)</u>
Total derivatives	<u>\$ 23,224.1</u>	Total derivatives	<u>329.7</u>	<u>(430.0)</u>
		Amounts netted	<u>(170.6)</u>	<u>170.6</u>
		Net derivatives	<u>\$ 159.1</u>	<u>\$ (259.4)</u>
December 31, 2014				
<u>Hedging instruments</u>				
Interest rate swaps - fixed to floating	\$ 1,185.0	Other assets/other liabilities	\$ 2.6	\$ (7.8)
<u>Non-hedging instruments</u>				
Derivatives embedded in convertible fixed maturity securities	287.0	Fixed maturity securities	98.7	—
Interest rate swaps	97.9	Equity securities	—	(9.4)
Options	12,208.5	Other assets/other liabilities	428.0	(458.4)
Futures	—	Equity securities	0.5	(1.5)
Subtotal non-hedging	<u>12,593.4</u>	Subtotal non-hedging	<u>527.2</u>	<u>(469.3)</u>
Total derivatives	<u>\$ 13,778.4</u>	Total derivatives	<u>529.8</u>	<u>(477.1)</u>
		Amounts netted	<u>(216.7)</u>	<u>216.7</u>
		Net derivatives	<u>\$ 313.1</u>	<u>\$ (260.4)</u>

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

Fair Value Hedges

We have entered into various interest rate swap contracts to convert a portion of our interest rate exposure on our long-term debt from fixed rates to floating rates. The floating rates payable on all of our fair value hedges are benchmarked to LIBOR. A summary of our outstanding fair value hedges at December 31, 2015 and 2014 is as follows:

Type of Fair Value Hedges	Year Entered Into	Outstanding Notional Amount		Interest Rate Received	Expiration Date
		2015	2014		
Interest rate swap	2015	\$ 200.0	\$ —	4.350 %	August 15, 2020
Interest rate swap	2014	150.0	150.0	4.350	August 15, 2020
Interest rate swap	2013	10.0	10.0	4.350	August 15, 2020
Interest rate swap	2012	200.0	200.0	4.350	August 15, 2020
Interest rate swap	2012	625.0	625.0	1.875	January 15, 2018
Interest rate swap	2012	200.0	200.0	2.375	February 15, 2017
Total notional amount outstanding		<u>\$ 1,385.0</u>	<u>\$ 1,185.0</u>		

A summary of the effect of fair value hedges on our income statement for the years ended December 31, 2015, 2014 and 2013 is as follows:

Type of Fair Value Hedges	Income Statement Location of Hedge Gain	Hedge Gain Recognized	Hedged Item	Income Statement Location of Hedged Item Loss	Hedged Item Loss Recognized
Year ended December 31, 2015					
Interest rate swaps	Interest expense	<u>\$ 12.1</u>	Fixed rate debt	Interest expense	<u>\$ (12.1)</u>
Year ended December 31, 2014					
Interest rate swaps	Interest expense	<u>\$ 25.5</u>	Fixed rate debt	Interest expense	<u>\$ (25.5)</u>
Year ended December 31, 2013					
Interest rate swaps	Interest expense	<u>\$ 31.5</u>	Fixed rate debt	Interest expense	<u>\$ (31.5)</u>

Cash Flow Hedges

During the year ended December 31, 2015, we entered into a series of forward starting pay fixed interest rate swaps in the notional amount of \$4,650.0, with the objective of eliminating the variability of cash flows in the interest payments on anticipated future financings beginning in 2017. At December 31, 2015, \$4,650.0 was outstanding under these swaps. No cash flow hedges were outstanding at December 31, 2014.

The unrecognized loss for all outstanding and terminated cash flow hedges included in accumulated other comprehensive income, net of tax, was \$81.1 and \$35.9 at December 31, 2015 and 2014, respectively. As of December 31, 2015, the total amount of amortization over the next twelve months for all cash flow hedges will increase interest expense by approximately \$5.8.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

A summary of the effect of cash flow hedges on our financial statements for the years ended December 31, 2015, 2014 and 2013 is as follows:

Type of Cash Flow Hedge	Effective Portion			Ineffective Portion	
	Pretax Hedge Loss Recognized in Other Comprehensive Income (Loss)	Income Statement Location of Loss Reclassification from Accumulated Other Comprehensive Income	Hedge Loss Reclassified from Accumulated Other Comprehensive Income	Income Statement Location of Loss Recognized	Hedge Loss Recognized
Year ended December 31, 2015					
Forward starting pay fixed swaps	\$ (75.2)	Interest expense	\$ (5.5)	None	\$ —
Year ended December 31, 2014					
Forward starting pay fixed swaps	\$ —	Interest expense	\$ (5.0)	None	\$ —
Year ended December 31, 2013					
Forward starting pay fixed swaps	\$ —	Interest expense	\$ (4.6)	None	\$ —

We test for cash flow hedge effectiveness at hedge inception and re-assess at the end of each reporting period. No amounts were excluded from the assessment of hedge effectiveness.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

Non-Hedging Derivatives

A summary of the effect of non-hedging derivatives on our income statement for the years ended December 31, 2015, 2014 and 2013 is as follows:

Type of Non-hedging Derivatives	Income Statement Location of Gain (Loss) Recognized	Derivative Gain (Loss) Recognized
Year ended December 31, 2015		
Derivatives embedded in convertible fixed maturity securities	Net realized gains on investments	\$ (22.2)
Interest rate swaps	Net realized gains on investments	(1.9)
Options	Net realized gains on investments	34.7
Futures	Net realized gains on investments	(0.1)
Swaptions	Net realized gains on investments	(0.1)
Total		<u>\$ 10.4</u>
Year ended December 31, 2014		
Derivatives embedded in convertible fixed maturity securities	Net realized gains on investments	\$ 11.6
Interest rate swaps	Net realized gains on investments	(11.6)
Options	Net realized gains on investments	(54.6)
Futures	Net realized gains on investments	(10.0)
Swaptions	Net realized gains on investments	1.3
Total		<u>\$ (63.3)</u>
Year ended December 31, 2013		
Derivatives embedded in convertible fixed maturity securities	Net realized gains on investments	\$ 31.5
Interest rate swaps	Net realized gains on investments	2.2
Options	Net realized gains on investments	(111.7)
Futures	Net realized gains on investments	22.3
Swaptions	Net realized gains on investments	\$ 3.0
Total		<u>\$ (52.7)</u>

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

6. Fair Value

Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by FASB guidance for fair value measurements and disclosures, are as follows:

Level Input:	Input Definition:
Level I	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.
Level III	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The following methods, assumptions and inputs were used to determine the fair value of each class of the following assets and liabilities recorded at fair value in the consolidated balance sheets:

Cash equivalents: Cash equivalents primarily consist of highly rated money market funds with maturities of three months or less, and are purchased daily at par value with specified yield rates. Due to the high ratings and short-term nature of the funds, we designate all cash equivalents as Level I.

Fixed maturity securities, available-for-sale: Fair values of available-for-sale fixed maturity securities are based on quoted market prices, where available. These fair values are obtained primarily from third party pricing services, which generally use Level I or Level II inputs for the determination of fair value to facilitate fair value measurements and disclosures. United States Government securities represent Level I securities, while Level II securities primarily include corporate securities, securities from states, municipalities and political subdivisions, mortgage-backed securities and certain other asset back securities. For securities not actively traded, the pricing services may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. We have controls in place to review the pricing services' qualifications and procedures used to determine fair values. In addition, we periodically review the pricing services' pricing methodologies, data sources and pricing inputs to ensure the fair values obtained are reasonable. Inputs that are often used in the valuation methodologies include, but are not limited to, broker quotes, benchmark yields, credit spreads, default rates and prepayment speeds. We also have certain fixed maturity securities, primarily corporate debt securities, that are designated Level III securities. For these securities, the valuation methodologies may incorporate broker quotes or discounted cash flow analyses using assumptions for inputs such as expected cash flows, benchmark yields, credit spreads, default rates and prepayment speeds that are not observable in the markets.

Equity securities, available-for-sale: Fair values of equity securities are generally designated as Level I and are based on quoted market prices. For certain equity securities, quoted market prices for the identical security are not always available and the fair value is estimated by reference to similar securities for which quoted prices are available. These securities are designated Level II. We also have certain equity securities, including private equity securities, for which the fair value is estimated based on each security's current condition and future cash flow projections. Such securities are designated Level III. The fair values of these private equity securities are generally based on either broker quotes or discounted cash flow projections using assumptions for inputs such as the weighted-average cost of capital, long-term revenue growth rates and earnings before interest, taxes, depreciation and amortization, or EBITDA, and/or revenue multiples that are not observable in the markets.

Other invested assets, current: Other invested assets, current include securities held in rabbi trusts that are classified as trading. These securities are designated Level I securities as fair values are based on quoted market prices.

Securities lending collateral: Fair values of securities lending collateral are based on quoted market prices, where available. These fair values are obtained primarily from third party pricing services, which generally use Level I or Level II inputs for the determination of fair value, to facilitate fair value measurements and disclosures.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

Derivatives: Fair values are based on the quoted market prices by the financial institution that is the counterparty to the derivative transaction. We independently verify prices provided by the counterparties using valuation models that incorporate market observable inputs for similar derivative transactions. Derivatives are designated as Level II securities.

In addition, the following methods and assumptions were used to determine the fair value of each class of pension benefit plan assets and other benefit plan assets not defined above (see Note 10, "Retirement Benefits," for fair values of benefit plan assets):

Mutual funds: Fair values are based on quoted market prices, which represent the net asset value, or NAV, of shares held.

Common and collective trusts: Fair values of common/collective trusts that replicate traded money market funds are based on cost, which approximates fair value. Fair values of common/collective trusts that invest in securities are valued at the NAV of the shares held, where the trust applies fair value measurements to the underlying investments to determine the NAV.

Partnership interests: Fair values are estimated based on the plan's proportionate share of the undistributed partners' capital as reported in audited financial statements of the partnership.

Contract with insurance company: Fair value of the contract in the insurance company general investment account is determined by the insurance company based on the fair value of the underlying investments of the account.

Investment in DOL 103-12 trust: Fair value is based on the plan's proportionate share of the fair value of investments held by the trust, qualified as a Department of Labor Regulation 2520.103-12 entity, or DOL 103-12 trust, as reported in the audited financial statements of the trust, where the trustee applies fair value measurements to the underlying investments of the trust.

Life insurance contracts: Fair value is based on the cash surrender value of the policies as reported by the insurer.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

A summary of fair value measurements by level for assets and liabilities measured at fair value on a recurring basis at December 31, 2015 and 2014 is as follows:

	Level I	Level II	Level III	Total
December 31, 2015				
Assets:				
Cash equivalents	\$ 701.0	\$ —	\$ —	\$ 701.0
Investments available-for-sale:				
Fixed maturity securities:				
United States Government securities	349.9	—	—	349.9
Government sponsored securities	—	75.9	—	75.9
States, municipalities and political subdivisions, tax-exempt	—	6,251.6	—	6,251.6
Corporate securities	77.6	7,629.3	186.2	7,893.1
Residential mortgage-backed securities	—	1,750.9	—	1,750.9
Commercial mortgage-backed securities	—	402.4	1.9	404.3
Other debt securities	55.7	671.2	25.6	752.5
Total fixed maturity securities	483.2	16,781.3	213.7	17,478.2
Equity securities	1,253.8	116.9	102.1	1,472.8
Other invested assets, current	19.1	—	—	19.1
Securities lending collateral	708.1	592.3	—	1,300.4
Derivatives (reported with other assets)	—	159.1	—	159.1
Total assets	\$ 3,165.2	\$17,649.6	\$ 315.8	\$21,130.6
Liabilities:				
Derivatives (reported with other liabilities)	\$ —	\$ (259.4)	\$ —	\$ (259.4)
Total liabilities	\$ —	\$ (259.4)	\$ —	\$ (259.4)
December 31, 2014				
Assets:				
Cash equivalents	\$ 573.2	\$ —	\$ —	\$ 573.2
Investments available-for-sale:				
Fixed maturity securities:				
United States Government securities	320.0	—	—	320.0
Government sponsored securities	—	95.0	—	95.0
States, municipalities and political subdivisions, tax-exempt	—	5,733.6	—	5,733.6
Corporate securities	7.1	8,180.8	144.6	8,332.5
Options embedded in convertible securities	—	98.7	—	98.7
Residential mortgage-backed securities	—	2,159.0	—	2,159.0
Commercial mortgage-backed securities	—	506.6	3.3	509.9
Other debt securities	89.2	627.3	6.6	723.1
Total fixed maturity securities	416.3	17,401.0	154.5	17,971.8
Equity securities	1,696.9	192.9	48.3	1,938.1
Other invested assets, current	20.2	—	—	20.2
Securities lending collateral	808.3	706.9	—	1,515.2
Derivatives excluding embedded options (reported with other assets)	—	224.8	—	224.8
Total assets	\$ 3,514.9	\$18,525.6	\$ 202.8	\$22,243.3
Liabilities:				
Derivatives (reported with other liabilities)	\$ —	\$ (260.4)	\$ —	\$ (260.4)
Total liabilities	\$ —	\$ (260.4)	\$ —	\$ (260.4)

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

A reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using Level III inputs for the years ended December 31, 2015, 2014 and 2013 is as follows:

	Corporate Securities	Residential Mortgage- backed Securities	Commercial Mortgage- backed Securities	Other Debt Securities	Equity Securities	Total
Year ended December 31, 2015						
Beginning balance at January 1, 2015	\$ 144.6	\$ —	\$ 3.3	\$ 6.6	\$ 48.3	\$ 202.8
Total (losses) gains:						
Recognized in net income	1.4	—	—	0.2	(1.5)	0.1
Recognized in accumulated other comprehensive income	0.7	—	—	(0.2)	3.9	4.4
Purchases	132.6	—	1.1	28.3	52.1	214.1
Sales	(11.7)	—	(1.1)	(0.9)	(13.8)	(27.5)
Settlements	(51.6)	—	(1.4)	(0.2)	—	(53.2)
Transfers into Level III	4.8	—	—	—	13.1	17.9
Transfers out of Level III	(34.6)	—	—	(8.2)	—	(42.8)
Ending balance at December 31, 2015	\$ 186.2	\$ —	\$ 1.9	\$ 25.6	\$ 102.1	\$ 315.8
Change in unrealized losses included in net income related to assets still held for the year ended December 31, 2015	\$ (0.6)	\$ —	\$ —	\$ —	\$ (1.4)	\$ (2.0)
Year ended December 31, 2014						
Beginning balance at January 1, 2014	\$ 115.2	\$ —	\$ 6.5	\$ 14.8	\$ 41.4	\$ 177.9
Total (losses) gains:						
Recognized in net income	(4.4)	—	—	—	(0.7)	(5.1)
Recognized in accumulated other comprehensive income	8.5	—	—	0.4	2.8	11.7
Purchases	68.9	—	3.6	6.5	15.9	94.9
Sales	(48.0)	—	—	(3.6)	(10.6)	(62.2)
Settlements	(11.0)	—	(3.7)	(0.4)	—	(15.1)
Transfers into Level III	24.8	—	—	—	—	24.8
Transfers out of Level III	(9.4)	—	(3.1)	(11.1)	(0.5)	(24.1)
Ending balance at December 31, 2014	\$ 144.6	\$ —	\$ 3.3	\$ 6.6	\$ 48.3	\$ 202.8
Change in unrealized losses included in net income related to assets still held for the year ended December 31, 2014	\$ (11.1)	\$ —	\$ —	\$ —	\$ (0.7)	\$ (11.8)
Year ended December 31, 2013						
Beginning balance at January 1, 2013	\$ 121.1	\$ 4.3	\$ —	\$ 3.9	\$ 26.2	\$ 155.5
Total (losses) gains:						
Recognized in net income	(30.3)	—	—	(0.1)	(4.8)	(35.2)
Recognized in accumulated other comprehensive income	(3.5)	—	—	0.6	9.5	6.6
Purchases	51.9	—	—	1.6	17.6	71.1
Sales	(4.8)	—	—	—	(7.1)	(11.9)
Settlements	(15.5)	(1.9)	(6.1)	(0.7)	—	(24.2)
Transfers into Level III	3.0	13.1	12.6	9.8	—	38.5
Transfers out of Level III	(6.7)	(15.5)	—	(0.3)	—	(22.5)
Ending balance at December 31, 2013	\$ 115.2	\$ —	\$ 6.5	\$ 14.8	\$ 41.4	\$ 177.9
Change in unrealized losses included in net income related to assets still held for the year ended December 31, 2013	\$ (30.8)	\$ —	\$ —	\$ (0.1)	\$ (6.5)	\$ (37.4)

Transfers between levels, if any, are recorded as of the beginning of the reporting period. There were no material transfers between levels during the years ended December 31, 2015, 2014 or 2013.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances. As disclosed in Note 3, "Business Acquisitions and Divestiture", we completed our acquisition of Simply Healthcare on February 17, 2015. The values of net assets acquired in our acquisition of Simply Healthcare and resulting goodwill and other intangible assets were recorded at fair value primarily using Level III inputs. The majority of Simply Healthcare's assets acquired and liabilities assumed were recorded at their carrying values as of the respective date of acquisition, as their carrying values approximated their fair values due to their short-term nature. The fair values of goodwill and other intangible assets acquired in our acquisition of Simply Healthcare were internally estimated based on the income approach. The income approach estimates fair value based on the present value of the cash flows that the assets could be expected to generate in the future. We developed internal estimates for the expected cash flows and discount rate in the present value calculation. Other than the assets acquired and liabilities assumed in our acquisition of Simply Healthcare described above, there were no material assets or liabilities measured at fair value on a nonrecurring basis during the years ended December 31, 2015 or 2014.

Our valuation policy is determined by members of our treasury and accounting departments. Whenever possible, our policy is to obtain quoted market prices in active markets to estimate fair values for recognition and disclosure purposes. Where quoted market prices in active markets are not available, fair values are estimated using discounted cash flow analyses, broker quotes or other valuation techniques. These techniques are significantly affected by our assumptions, including discount rates and estimates of future cash flows. Potential taxes and other transaction costs are not considered in estimating fair values. Our valuation policy is generally to obtain only one quoted price for each security from third party pricing services, which are derived through recently reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information. When broker quotes are used, we generally obtain only one broker quote per security. As we are responsible for the determination of fair value, we perform monthly analysis on the prices received from the pricing services to determine whether the prices are reasonable estimates of fair value. This analysis is performed by our internal treasury personnel who are familiar with our investment portfolios, the pricing services engaged and the valuation techniques and inputs used. Our analysis includes a review of month-to-month price fluctuations. If unusual fluctuations are noted in this review, we may obtain additional information from other pricing services to validate the quoted price. There were no adjustments to quoted market prices obtained from the pricing services during the years ended December 31, 2015, 2014 or 2013.

In addition to the preceding disclosures on assets recorded at fair value in the consolidated balance sheets, FASB guidance also requires the disclosure of fair values for certain other financial instruments for which it is practicable to estimate fair value, whether or not such values are recognized in the consolidated balance sheets.

Non-financial instruments such as real estate, property and equipment, other current assets, deferred income taxes, intangible assets and certain financial instruments, such as policy liabilities, are excluded from the fair value disclosures. Therefore, the fair value amounts cannot be aggregated to determine our underlying economic value.

The carrying amounts reported in the consolidated balance sheets for cash, accrued investment income, premium and self-funded receivables, other receivables, income taxes receivable/payable, unearned income, accounts payable and accrued expenses, security trades pending payable, securities lending payable and certain other current liabilities approximate fair value because of the short term nature of these items. These assets and liabilities are not listed in the table below.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument that is recorded at its carrying value on the consolidated balance sheets:

Other invested assets, long-term: Other invested assets, long-term include primarily our investments in limited partnerships, joint ventures and other non-controlled corporations, as well as the cash surrender value of corporate-owned life insurance policies. Investments in limited partnerships, joint ventures and other non-controlled corporations are carried at our share in the entities' undistributed earnings, which approximates fair value. The carrying value of corporate-owned life insurance policies represents the cash surrender value as reported by the respective insurer, which approximates fair value.

Short-term borrowings: The fair value of our short-term borrowings is based on quoted market prices for the same or similar debt, or, if no quoted market prices were available, on the current market interest rates estimated to be available to us for debt of similar terms and remaining maturities.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

Long-term debt - commercial paper: The carrying amount for commercial paper approximates fair value as the underlying instruments have variable interest rates at market value.

Long-term debt - senior unsecured notes, remarketable subordinated notes and surplus notes: The fair values of our notes are based on quoted market prices in active markets for the same or similar debt, or, if no quoted market prices are available, on the current market observable rates estimated to be available to us for debt of similar terms and remaining maturities.

Long-term debt—convertible debentures: The fair value of our convertible debentures is based on the quoted market price in the active private market in which the convertible debentures trade.

A summary of the estimated fair values by level of each class of financial instrument that is recorded at its carrying value on our consolidated balance sheets at December 31, 2015 and 2014 are as follows:

	Carrying Value	Estimated Fair Value			
		Level I	Level II	Level III	Total
December 31, 2015					
Assets:					
Other invested assets, long-term	\$ 2,041.1	\$ —	\$ —	\$ 2,041.1	\$ 2,041.1
Liabilities:					
Debt:					
Short-term borrowings	540.0	—	540.0	—	540.0
Commercial paper	682.2	—	682.2	—	682.2
Notes	14,311.6	—	14,523.2	—	14,523.2
Convertible debentures	330.7	—	980.1	—	980.1
December 31, 2014					
Assets:					
Other invested assets, long-term	\$ 1,695.9	\$ —	\$ —	\$ 1,695.9	\$ 1,695.9
Liabilities:					
Debt:					
Short-term borrowings	400.0	—	400.0	—	400.0
Notes	13,777.8	—	14,794.8	—	14,794.8
Convertible debentures	974.4	—	2,581.9	—	2,581.9
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Notes to Consolidated Financial Statements (continued)

7. Income Taxes

The components of deferred income taxes at December 31 are as follows:

	2015	2014
Deferred tax assets relating to:		
Retirement benefits	\$ 364.8	\$ 357.7
Accrued expenses	344.6	329.9
Insurance reserves	247.1	209.7
Net operating loss carryforwards	18.1	14.8
Bad debt reserves	154.8	132.9
State income tax	43.4	40.6
Deferred compensation	40.1	46.6
Investment basis difference	62.2	88.2
Other	68.4	34.2
Total deferred tax assets	1,343.5	1,254.6
Valuation allowance	—	(2.6)
Total deferred tax assets, net of valuation allowance	1,343.5	1,252.0
Deferred tax liabilities relating to:		
Unrealized gains on securities	127.8	331.4
Intangible assets:		
Trademarks and state Medicaid licenses	2,547.6	2,444.3
Customer, provider and hospital relationships	269.2	308.6
Internally developed software and other amortization differences	436.6	403.6
Retirement benefits	252.7	241.1
Debt discount	61.9	184.0
State deferred tax	36.4	49.1
Depreciation and amortization	44.2	29.6
Other	197.7	205.9
Total deferred tax liabilities	3,974.1	4,197.6
Net deferred tax liability	\$ (2,630.6)	\$ (2,945.6)

In the table above, certain deferred tax liability amounts related to intangible assets for the year ended December 31, 2014 have been reclassified to provide consistency with the disclosure components of other intangible assets in Note 9, "Goodwill and Other Intangible Assets." This reclassification does not impact amounts presented in the financial statements.

The elimination of the valuation allowance during 2015 was attributable to a reduction in a statutory state income tax rate and continued utilization of state net operating losses. Changes in the valuation allowance during 2014 included a decrease of \$9.8 related to a reduction in statutory state income tax rate, a decrease of \$16.2 related to utilization of state net operating losses, and an increase of \$4.5 related to the sale of 1-800 CONTACTS, for a net decrease of \$21.5.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

Significant components of the provision for income taxes for the years ended December 31 consist of the following:

	2015	2014	2013
Current tax expense (benefit):			
Federal	\$ 1,996.6	\$ 1,629.4	\$ 1,226.4
State and local	133.0	65.8	(42.6)
Total current tax expense	2,129.6	1,695.2	1,183.8
Deferred tax (benefit) expense	(58.6)	112.8	22.1
Total income tax expense	\$ 2,071.0	\$ 1,808.0	\$ 1,205.9

State and local current tax expense is reported gross of federal benefit, and includes amounts related to true up of prior years' tax, audit settlements, uncertain tax positions and state tax credits. Such items are included in multiple lines in the following rate reconciliation table on a net of federal tax basis.

A reconciliation of income tax expense recorded in the consolidated statements of income and amounts computed at the statutory federal income tax rate for the years ended December 31 is as follows:

	2015		2014		2013	
	Amount	Percent	Amount	Percent	Amount	Percent
Amount at statutory rate	\$ 1,620.9	35.0 %	\$ 1,528.8	35.0 %	\$ 1,344.1	35.0 %
State and local income taxes net of federal tax benefit	75.3	1.6	49.0	1.1	24.4	0.6
Tax exempt interest and dividends received deduction	(63.2)	(1.3)	(65.9)	(1.5)	(64.9)	(1.7)
HIP Fee	422.6	9.1	312.6	7.2	—	—
Other, net	15.4	0.3	(16.5)	(0.4)	(97.7)	(2.5)
Total income tax expense	\$ 2,071.0	44.7 %	\$ 1,808.0	41.4 %	\$ 1,205.9	31.4 %

During the year ended December 31, 2015, we recognized income tax expense of \$422.6, or \$1.55 per diluted share, as a result of the non-tax deductibility of the HIP Fee payments. We also recognized income tax expense of \$42.3, or \$0.16 per diluted share, as a result of an adverse California franchise tax ruling. This expense is allocated between the "State and local income taxes net of federal tax benefit" and the "Other, net" line items in the table above.

During the year ended December 31, 2014, we recognized income tax expense of \$312.6, or \$1.09 per diluted share, as a result of the non-tax deductibility of the HIP Fee payments.

During the year ended December 31, 2013, we recognized income tax benefits of \$65.0, or \$0.21 per diluted share, resulting from a favorable tax election made subsequent to the Amerigroup acquisition. This benefit is included in "Other, net" above.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

The change in the carrying amount of gross unrecognized tax benefits from uncertain tax positions for the years ended December 31 is as follows:

	2015	2014
Balance at January 1	\$ 115.8	\$ 103.2
Additions for tax positions related to:		
Current year	39.8	10.9
Prior years	65.1	31.3
Reductions related to:		
Tax positions of prior years	(7.9)	(24.5)
Settlements with taxing authorities	(0.8)	(5.1)
Balance at December 31	<u>\$ 212.0</u>	<u>\$ 115.8</u>

The table above excludes interest, net of related tax benefits, which is treated as income tax expense (benefit) under our accounting policy. The interest is included in the amounts described in the following paragraph.

As of December 31, 2015, \$113.4 of unrecognized tax benefits would impact our effective tax rate in future periods, if recognized. Also included in the table above is \$2.4 that would be recognized as an adjustment to additional paid-in capital, which would not affect our effective tax rate. The December 31, 2015 balance also includes \$0.3 of tax positions for which ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Excluding the impact of interest and penalties, the disallowance of the shorter deductibility period would not affect our effective tax rate, but would accelerate the payment of cash to the taxing authority to an earlier period.

For the years ended December 31, 2015 and 2014, we recognized net interest benefits of \$1.8 and \$4.2, respectively. For the year ended December 31, 2013, we recognized net interest expense of \$2.6. We had accrued approximately \$12.3 and \$14.1 for the payment of interest at December 31, 2015 and 2014, respectively.

As of December 31, 2015, as further described below, certain tax years remain open to examination by the Internal Revenue Service, or IRS, and various state and local authorities. In addition, we continue to discuss certain industry issues with the IRS. As a result of these examinations and discussions, we have recorded amounts for uncertain tax positions. It is anticipated that the amount of unrecognized tax benefits will change in the next twelve months due to possible settlements of audits and changes in temporary items. However, the ultimate resolution of these items is dependent on the completion of negotiations with various taxing authorities. While it is difficult to determine when other tax settlements will actually occur, it is reasonably possible that one could occur in the next twelve months and our unrecognized tax benefits could change within a range of approximately \$3.3 to \$(159.0).

We are a member of the IRS Compliance Assurance Process, or CAP. The objective of CAP is to reduce taxpayer burden and uncertainty while assuring the IRS of the accuracy of tax returns prior to filing, thereby reducing or eliminating the need for post-filing examinations.

As of December 31, 2015, the IRS examination of our 2015 tax year continues to be in process. During 2015, the examinations of our 2014 and 2013 tax years were resolved with the IRS.

In certain states, we pay premium taxes in lieu of state income taxes. Premium taxes are reported with general and administrative expense.

At December 31, 2015, we had unused federal tax net operating loss carryforwards of approximately \$43.9 to offset future taxable income. The loss carryforwards expire in the years 2017 through 2034. During 2015, 2014 and 2013, federal income taxes paid totaled \$1,952.1, \$1,659.0 and \$1,172.0, respectively.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

8. Property and Equipment

A summary of property and equipment at December 31 is as follows:

	2015	2014
Land and improvements	\$ 21.5	\$ 25.8
Building and improvements	216.6	279.9
Data processing equipment, furniture and other equipment	1,046.1	940.3
Computer software, purchased and internally developed	2,344.9	2,162.4
Leasehold improvements	429.3	356.4
Property and equipment, gross	4,058.4	3,764.8
Accumulated depreciation and amortization	(2,038.6)	(1,820.5)
Property and equipment, net	<u>\$ 2,019.8</u>	<u>\$ 1,944.3</u>

Depreciation expense for 2015, 2014 and 2013 was \$105.8, \$106.5 and \$105.3, respectively. Amortization expense on computer software and leasehold improvements for 2015, 2014 and 2013 was \$409.8, \$367.8 and \$351.8, respectively, which includes amortization expense on computer software, both purchased and internally developed, for 2015, 2014 and 2013 of \$366.7, \$329.2 and \$313.6, respectively. Capitalized costs related to the internal development of software of \$2,024.7 and \$1,844.2 at December 31, 2015 and 2014, respectively, are reported with computer software.

During the years ended December 31, 2015, 2014 and 2013, we recognized \$1.8, \$7.9 and \$47.7, respectively, of impairments related to computer software (primarily internally developed) due to project cancellation or asset replacement, some of which resulted from a change in strategic focus needed to effectively manage business operations in a post-Health Care Reform environment.

9. Goodwill and Other Intangible Assets

No goodwill is allocated to our Other segment. A summary of the change in the carrying amount of goodwill for our Commercial and Specialty Business segment and Government Business segment (see Note 19, "Segment Information") for 2015 and 2014 is as follows:

	Commercial and Specialty Business	Government Business	Total
Balance as of January 1, 2014	\$ 11,554.0	\$ 5,363.2	\$ 16,917.2
Measurement period adjustments	(1.6)	(0.2)	(1.8)
Other adjustments	266.5	(99.9)	166.6
Balance as of December 31, 2014	11,818.9	5,263.1	17,082.0
Measurement period adjustments	—	—	—
Acquisitions	—	480.2	480.2
Balance as of December 31, 2015	<u>\$ 11,818.9</u>	<u>\$ 5,743.3</u>	<u>\$ 17,562.2</u>
Accumulated impairment as of December 31, 2015	<u>\$ (41.0)</u>	<u>\$ —</u>	<u>\$ (41.0)</u>

The increase in the Company's goodwill is primarily due to the acquisition of Simply Healthcare in February 2015. For additional information regarding this acquisition, see Note 3, "Business Acquisitions and Divestiture". Measurement period adjustments incurred during 2014 included a reduction of \$1.8 related to the tax benefit on the exercise of stock options issued as part of various acquisitions. Other adjustments incurred during 2014 included transfers between business segments and reclassification to goodwill of the indefinite-lived provider network intangible asset, net of deferred taxes.

As required by FASB guidance, we completed annual impairment tests of existing goodwill and other intangible assets with indefinite lives during 2015, 2014 and 2013. We perform these annual impairment tests during the fourth quarter. FASB guidance also requires interim impairment testing to be performed when potential impairment indicators exist. These tests

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

involve the use of estimates related to the fair value of goodwill and intangible assets with indefinite lives and require a significant degree of management judgment and the use of subjective assumptions. The fair values were estimated using the income and market value valuation methods, incorporating Level III internal estimates for inputs, including, but not limited to, revenue projections, income projections, cash flows and discount rates. We did not incur any impairment losses in 2015, 2014 or 2013 as the estimated fair values of our reporting units were substantially in excess of their carrying values.

The components of other intangible assets as of December 31 are as follows:

	2015			2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets with finite lives:						
Customer relationships	\$ 3,394.4	\$ (2,670.0)	\$ 724.4	\$ 3,318.4	\$ (2,473.4)	\$ 845.0
Provider and hospital relationships	150.9	(58.6)	92.3	140.9	(51.4)	89.5
Other	90.7	(39.7)	51.0	61.6	(33.3)	28.3
Total	3,636.0	(2,768.3)	867.7	3,520.9	(2,558.1)	962.8
Intangible assets with indefinite lives:						
Blue Cross and Blue Shield and other trademarks	6,298.7	—	6,298.7	6,298.7	—	6,298.7
State Medicaid licenses	991.6	—	991.6	696.6	—	696.6
Total	7,290.3	—	7,290.3	6,995.3	—	6,995.3
Other intangible assets	\$10,926.3	\$ (2,768.3)	\$ 8,158.0	\$10,516.2	\$ (2,558.1)	\$ 7,958.1

As of December 31, 2015, the estimated amortization expense for each of the five succeeding years is as follows: 2016, \$191.5; 2017, \$156.1; 2018, \$125.1; 2019, \$98.1; and 2020, \$78.1.

10. Retirement Benefits

We sponsor various non-contributory employee defined benefit plans through certain subsidiaries.

The Anthem Cash Balance Plan A and the Anthem Cash Balance Plan B are cash balance pension plans covering certain eligible employees of the affiliated companies that participate in these plans. Effective January 1, 2006, benefits were curtailed, with the result that most participants stopped accruing benefits but continue to earn interest on benefits accrued prior to the curtailment. Certain participants subject to collective bargaining and certain other participants who met grandfathering rules continue to accrue benefits. Participants that do not receive credits and/or benefit accruals are included in the Anthem Cash Balance Plan A, while current employees who are still receiving credits and/or benefits participate in the Anthem Cash Balance Plan B. Several pension plans acquired through various corporate mergers and acquisitions have been merged into these plans in prior years.

The UGS Pension Plan is a defined benefit pension plan with a cash balance component. The UGS Pension Plan covers eligible employees of the affiliated companies that participate in the UGS Pension Plan. Effective January 1, 2004, benefits were curtailed, with the result that most participants stopped accruing benefits but continue to earn interest on benefits previously accrued. Certain employees subject to collective bargaining and certain other employees who met grandfathering rules continue to accrue benefits.

The Employees' Retirement Plan of Blue Cross of California, or the BCC Plan, is a defined benefit pension plan that covers eligible employees of Blue Cross of California who are covered by a collective bargaining agreement. Effective January 1, 2007, benefits were curtailed under the BCC Plan with the result that no Blue Cross of California employees hired or rehired after December 31, 2006 are eligible to participate in the BCC Plan.

All of the plans' assets consist primarily of common stocks, fixed maturity securities, investment funds and short-term investments. The funding policies for all plans are to contribute amounts at least sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, as amended, or ERISA, including

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

amendment by the Pension Protection Act of 2006, and in accordance with income tax regulations, plus such additional amounts as are necessary to provide assets sufficient to meet the benefits to be paid to plan participants.

We use a December 31 measurement date for determining benefit obligations and fair value of plan assets.

The following tables disclose consolidated "pension benefits," which include the defined benefit pension plans described above, and consolidated "other benefits," which include postretirement health and welfare benefits including medical, vision and dental benefits offered to certain employees. Calculations were computed using assumptions at the December 31 measurement dates.

The reconciliation of the benefit obligation is as follows:

	Pension Benefits		Other Benefits	
	2015	2014	2015	2014
Benefit obligation at beginning of year	\$ 1,914.4	\$ 1,764.7	\$ 646.6	\$ 607.5
Service cost	13.1	13.0	2.1	3.2
Interest cost	68.2	74.1	23.4	26.3
Plan amendment	0.8	—	—	—
Actuarial (gain) loss	(41.2)	185.4	(58.1)	45.3
Benefits paid	(122.0)	(122.8)	(35.3)	(35.7)
Benefit obligation at end of year	\$ 1,833.3	\$ 1,914.4	\$ 578.7	\$ 646.6

The changes in the fair value of plan assets are as follows:

	Pension Benefits		Other Benefits	
	2015	2014	2015	2014
Fair value of plan assets at beginning of year	\$ 1,985.0	\$ 1,944.0	\$ 347.9	\$ 349.8
Actual return on plan assets	(1.5)	160.2	(1.2)	17.7
Employer contributions	3.7	3.6	17.3	16.1
Benefits paid	(122.0)	(122.8)	(35.6)	(35.7)
Fair value of plan assets at end of year	\$ 1,865.2	\$ 1,985.0	\$ 328.4	\$ 347.9

The net amount included in the consolidated balance sheets is as follows:

	Pension Benefits		Other Benefits	
	2015	2014	2015	2014
Noncurrent assets	\$ 103.4	\$ 146.3	\$ —	\$ —
Current liabilities	(10.5)	(4.3)	—	—
Noncurrent liabilities	(61.0)	(71.4)	(250.3)	(298.7)
Net amount at December 31	\$ 31.9	\$ 70.6	\$ (250.3)	\$ (298.7)

The net amounts included in accumulated other comprehensive loss (income) that have not been recognized as components of net periodic benefit costs are as follows:

	Pension Benefits		Other Benefits	
	2015	2014	2015	2014
Net actuarial loss	\$ 635.0	\$ 563.7	\$ 162.7	\$ 211.2
Prior service credit	(0.1)	(2.2)	(73.5)	(88.0)
Net amount before tax at December 31	\$ 634.9	\$ 561.5	\$ 89.2	\$ 123.2

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Notes to Consolidated Financial Statements (continued)

The estimated net actuarial loss and prior service credit for the defined benefit pension plans that will be reclassified from accumulated other comprehensive loss into net periodic benefit costs over the next year are \$16.9 and \$0.6, respectively. The estimated net actuarial loss and prior service credit for postretirement benefit plans that will be reclassified from accumulated other comprehensive loss into net periodic benefit costs over the next year are \$12.4 and \$13.8, respectively.

The accumulated benefit obligation for the defined benefit pension plans was \$1,829.6 and \$1,908.1 at December 31, 2015 and 2014, respectively.

As of December 31, 2015, certain pension plans had accumulated benefit obligations in excess of plan assets. For those same plans, the projected benefit obligation was also in excess of plan assets. Such plans had a combined projected benefit obligation, accumulated benefit obligation and fair value of plan assets of \$106.7, \$104.9 and \$35.1, respectively.

The weighted-average assumptions used in calculating the benefit obligations for all plans are as follows:

	Pension Benefits		Other Benefits	
	2015	2014	2015	2014
Discount rate	3.92%	3.66%	4.01%	3.74%
Rate of compensation increase	3.00%	3.00%	3.00%	3.00%
Expected rate of return on plan assets	7.84%	7.62%	7.00%	7.00%

The components of net periodic benefit cost (benefit credit) included in the consolidated statements of income are as follows:

	2015	2014	2013
Pension Benefits			
Service cost	\$ 13.1	\$ 13.0	\$ 14.2
Interest cost	68.2	74.1	67.8
Expected return on assets	(143.2)	(137.5)	(133.1)
Recognized actuarial loss	25.7	21.0	28.3
Amortization of prior service credit	(0.6)	(0.8)	(0.8)
Settlement loss	6.5	5.2	11.0
Net periodic benefit credit	<u>\$ (30.3)</u>	<u>\$ (25.0)</u>	<u>\$ (12.6)</u>
Other Benefits			
Service cost	\$ 2.1	\$ 3.2	\$ 6.7
Interest cost	23.4	26.3	22.4
Expected return on assets	(23.7)	(23.4)	(22.1)
Recognized actuarial loss	15.3	9.4	11.2
Amortization of prior service credit	(14.4)	(14.4)	(13.3)
Net periodic benefit cost	<u>\$ 2.7</u>	<u>\$ 1.1</u>	<u>\$ 4.9</u>

During the years ended December 31, 2015, 2014 and 2013 we incurred total settlement losses of \$6.5, \$5.2 and \$11.0, respectively, as lump-sum payments exceeded the service cost and interest cost components of net periodic benefit cost for certain of our plans.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

The weighted-average assumptions used in calculating the net periodic benefit cost for all plans are as follows:

	2015	2014	2013
Pension Benefits			
Discount rate	3.66%	4.39%	3.60%
Rate of compensation increase	3.00%	3.00%	3.50%
Expected rate of return on plan assets	7.62%	7.66%	7.91%
Other Benefits			
Discount rate	3.74%	4.48%	3.71%
Rate of compensation increase	3.00%	3.00%	3.50%
Expected rate of return on plan assets	7.00%	7.00%	7.00%

The assumed health care cost trend rates used to measure the expected cost of pre-Medicare (those who are not currently eligible for Medicare benefits) other benefits at our December 31, 2015 measurement date was 8.00% for 2016 with a gradual decline to 4.50% by the year 2028. The assumed health care cost trend rates used to measure the expected cost of post-Medicare (those who are currently eligible for Medicare benefits) other benefits at our December 31, 2015 measurement date was 5.75% for 2016 with a gradual decline to 4.50% by the year 2021. These estimated trend rates are subject to change in the future. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, an increase in the assumed health care cost trend rate of one percentage point would increase the postretirement benefit obligation as of December 31, 2015 by \$45.0 and would increase service and interest costs by \$2.2. Conversely, a decrease in the assumed health care cost trend rate of one percentage point would decrease the postretirement benefit obligation by \$38.3 as of December 31, 2015 and would decrease service and interest costs by \$1.8.

Plan assets include a diversified mix of investment grade fixed maturity securities, equity securities and alternative investments across a range of sectors and levels of capitalization to maximize the long-term return for a prudent level of risk. The weighted-average target allocation for pension benefit plan assets is 45% equity securities, 46% fixed maturity securities, and 9% to all other types of investments. Equity securities primarily include a mix of domestic securities, foreign securities and mutual funds invested in equities. Fixed maturity securities primarily include treasury securities, corporate bonds, and asset-backed investments issued by corporations and the U.S. government. Other types of investments include partnership interests, collective trusts that replicate money market funds and insurance contracts designed specifically for employee benefit plans. As of December 31, 2015, there were no significant concentrations of investments in the pension benefit assets or other benefit assets. No plan assets were invested in Anthem common stock.

Pension benefit assets and other benefit assets recorded at fair value are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

The fair values of our pension benefit assets and other benefit assets by asset category and level inputs at December 31, 2015, excluding cash, investment income receivable and amounts due to/from brokers, resulting in a net asset of \$3.4, are as follows (see Note 6, "Fair Value," for additional information regarding the definition of level inputs):

	Level I	Level II	Level III	Total
December 31, 2015				
Pension Benefit Assets:				
Equity securities:				
U.S. securities	\$ 542.8	\$ 4.4	\$ —	\$ 547.2
Foreign securities	258.8	—	—	258.8
Mutual funds	34.7	—	—	34.7
Fixed maturity securities:				
Government securities	176.6	—	—	176.6
Corporate securities	—	364.0	—	364.0
Asset-backed securities	—	141.1	—	141.1
Other types of investments:				
Common and collective trusts	—	48.1	—	48.1
Partnership interests	—	—	117.1	117.1
Insurance company contracts	—	—	174.2	174.2
Total pension benefit assets	\$ 1,012.9	\$ 557.6	\$ 291.3	\$ 1,861.8
Other Benefit Assets:				
Equity securities:				
U.S. securities	\$ 16.8	\$ 0.3	\$ —	\$ 17.1
Foreign securities	7.4	—	—	7.4
Mutual funds	36.6	—	—	36.6
Fixed maturity securities:				
Government securities	3.8	—	—	3.8
Corporate securities	—	9.5	—	9.5
Asset-backed securities	—	7.7	—	7.7
Other types of investments:				
Common and collective trusts	—	1.5	—	1.5
Partnership interests	—	—	1.5	1.5
Life insurance contracts	—	—	229.9	229.9
Investment in DOL 103-12 trust	—	13.4	—	13.4
Total other benefit assets	\$ 64.6	\$ 32.4	\$ 231.4	\$ 328.4

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

The fair values of our pension benefit assets and other benefit assets by asset category and level inputs at December 31, 2014, excluding cash, investment income receivable and amounts due to/from brokers, resulting in a net liability of \$0.2, are as follows (see Note 6, "Fair Value," for additional information regarding the definition of level inputs):

	Level I	Level II	Level III	Total
December 31, 2014				
Pension Benefit Assets:				
Equity securities:				
U.S. securities	\$ 591.2	\$ 4.5	\$ —	\$ 595.7
Foreign securities	246.2	—	—	246.2
Mutual funds	36.8	—	—	36.8
Fixed maturity securities:				
Government securities	206.5	11.5	—	218.0
Corporate securities	—	373.6	—	373.6
Asset-backed securities	—	170.0	—	170.0
Other types of investments:				
Common and collective trusts	—	37.1	—	37.1
Partnership interests	—	—	120.7	120.7
Insurance company contracts	—	—	187.7	187.7
Treasury futures contracts	(0.9)	—	—	(0.9)
Total pension benefit assets	\$ 1,079.8	\$ 596.7	\$ 308.4	\$ 1,984.9
Other Benefit Assets:				
Equity securities:				
U.S. securities	\$ 22.0	\$ 0.3	\$ —	\$ 22.3
Foreign securities	9.5	—	—	9.5
Mutual funds	33.6	—	—	33.6
Fixed maturity securities:				
Government securities	6.2	—	—	6.2
Corporate securities	—	10.0	—	10.0
Asset-backed securities	—	10.5	—	10.5
Other types of investments:				
Common and collective trusts	—	1.4	—	1.4
Partnership interests	—	—	1.5	1.5
Life insurance contracts	—	—	238.4	238.4
Investment in DOL 103-12 trust	—	14.8	—	14.8
Total other benefit assets	\$ 71.3	\$ 37.0	\$ 239.9	\$ 348.2

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

A reconciliation of the beginning and ending balances of plan assets measured at fair value using Level III inputs for the years ended December 31, 2015, 2014 and 2013 is as follows:

	Partnership Interests	Insurance Company Contracts	Life Insurance Contracts	Total
Year ended December 31, 2015				
Beginning balance at January 1, 2015	\$ 122.2	\$ 187.7	\$ 238.4	\$ 548.3
Actual return on plan assets:				
Relating to assets still held at the reporting date	(5.9)	(5.7)	(6.8)	(18.4)
Purchases	10.9	7.0	—	17.9
Sales	(8.6)	(14.8)	(1.7)	(25.1)
Ending balance at December 31, 2015	<u>\$ 118.6</u>	<u>\$ 174.2</u>	<u>\$ 229.9</u>	<u>\$ 522.7</u>
Year ended December 31, 2014				
Beginning balance at January 1, 2014	\$ 160.3	\$ 197.4	\$ 230.0	\$ 587.7
Actual return on plan assets:				
Relating to assets still held at the reporting date	(5.4)	1.4	8.4	4.4
Purchases	8.4	11.6	—	20.0
Sales	(41.1)	(22.7)	—	(63.8)
Ending balance at December 31, 2014	<u>\$ 122.2</u>	<u>\$ 187.7</u>	<u>\$ 238.4</u>	<u>\$ 548.3</u>
Year ended December 31, 2013				
Beginning balance at January 1, 2013	\$ 177.7	\$ 202.5	\$ 203.7	\$ 583.9
Actual return on plan assets:				
Relating to assets still held at the reporting date	2.2	(5.6)	26.3	22.9
Purchases	15.6	9.5	—	25.1
Sales	(35.2)	(9.0)	—	(44.2)
Ending balance at December 31, 2013	<u>\$ 160.3</u>	<u>\$ 197.4</u>	<u>\$ 230.0</u>	<u>\$ 587.7</u>

There were no transfers between Levels I, II and III during the years ended December 31, 2015, 2014 and 2013.

Our current funding strategy is to fund an amount at least equal to the minimum required funding as determined under ERISA with consideration of maximum tax deductible amounts. We may elect to make discretionary contributions up to the maximum amount deductible for income tax purposes. For the years ended December 31, 2015, 2014 and 2013, no material contributions were necessary to meet ERISA required funding levels. However, during the years ended December 31, 2015, 2014 and 2013, we made tax deductible discretionary contributions to the pension benefit plans of \$3.7, \$3.6 and \$38.6, respectively. Employer contributions to other benefit plans represent discretionary contributions and do not include payments to retirees for current benefits.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

Our estimated future payments for pension benefits and postretirement benefits, which reflect expected future service, as appropriate, are as follows:

	Pension Benefits	Other Benefits
2016	\$ 157.5	\$ 41.1
2017	151.9	41.8
2018	150.4	42.4
2019	147.8	42.8
2020	146.5	42.6
2021 – 2025	637.1	201.8

In addition to the defined benefit plans, we maintain the Anthem 401(k) Plan and CareMore 401(k) Pension Plan which are qualified defined contribution plans covering substantially all employees. Voluntary employee contributions are matched by us subject to certain limitations. Contributions made by us totaled \$125.4, \$111.1 and \$102.5 during 2015, 2014 and 2013, respectively.

11. Medical Claims Payable

A reconciliation of the beginning and ending balances for medical claims payable for the years ended December 31 is as follows:

	Years Ended December 31		
	2015	2014	2013
Gross medical claims payable, beginning of year	\$ 6,861.2	\$ 6,127.2	\$ 6,174.5
Ceded medical claims payable, beginning of year	(767.4)	(23.4)	(27.2)
Net medical claims payable, beginning of year	6,093.8	6,103.8	6,147.3
Business combinations and purchase adjustments	121.8	—	—
Net incurred medical claims:			
Current year	60,708.4	56,305.8	55,894.3
Prior years redundancies	(800.2)	(541.9)	(599.1)
Total net incurred medical claims	59,908.2	55,763.9	55,295.2
Net payments attributable to:			
Current year medical claims	54,067.7	50,353.9	49,887.2
Prior years medical claims	5,131.9	5,420.0	5,451.5
Total net payments	59,199.6	55,773.9	55,338.7
Net medical claims payable, end of year	6,924.2	6,093.8	6,103.8
Ceded medical claims payable, end of year	645.6	767.4	23.4
Gross medical claims payable, end of year	\$ 7,569.8	\$ 6,861.2	\$ 6,127.2

Amounts incurred related to prior years vary from previously estimated liabilities as the claims are ultimately settled. Liabilities at any period end are continually reviewed and re-estimated as information regarding actual claims payments, or runout, becomes known. This information is compared to the originally established year end liability. Negative amounts reported for incurred medical claims related to prior years result from claims being settled for amounts less than originally estimated. The prior year redundancy of \$800.2 shown above for the year ended December 31, 2015 represents an estimate based on paid claim activity from January 1, 2015 to December 31, 2015. Medical claim liabilities are usually described as having a "short tail," which means that they are generally paid within twelve months of the member receiving service from the provider. Accordingly, the majority of the \$800.2 redundancy relates to claims incurred in calendar year 2014.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

The following table provides a summary of the two key assumptions having the most significant impact on our incurred but not paid liability estimates for the years ended December 31, 2015, 2014 and 2013, which are the completion and trend factors. These two key assumptions can be influenced by utilization levels, unit costs, mix of business, benefit plan designs, provider reimbursement levels, processing system conversions and changes, claim inventory levels, claim processing patterns, claim submission patterns and operational changes resulting from business combinations.

	Favorable Developments by Changes in Key Assumptions		
	2015	2014	2013
Assumed trend factors	\$ (467.9)	\$ (399.5)	\$ (428.4)
Assumed completion factors	(332.3)	(142.4)	(170.7)
Total	<u>\$ (800.2)</u>	<u>\$ (541.9)</u>	<u>\$ (599.1)</u>

The favorable development recognized in 2015 and 2014 resulted primarily from trend factors in late 2014 and late 2013, respectively, developing more favorably than originally expected as well as a smaller but significant contribution from completion factor development. The favorable development recognized in 2013 was driven by trend factors in late 2012 developing more favorably than originally expected.

12. Debt

Short-term Borrowings

We are a member, through certain subsidiaries, of the Federal Home Loan Bank of Indianapolis, the Federal Home Loan Bank of Cincinnati and the Federal Home Loan Bank of Atlanta, collectively, the FHLBs, and as a member we have the ability to obtain short-term cash advances subject to certain minimum collateral requirements. At December 31, 2015 and 2014, \$540.0 and \$400.0, respectively, were outstanding under our short-term FHLBs borrowings. These outstanding short-term FHLBs borrowings at December 31, 2015 and 2014 had fixed interest rates of 0.424% and 0.195%, respectively.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

Long-term Debt

The carrying value of long-term debt at December 31 consists of the following:

	2015	2014
Senior unsecured notes:		
1.250%, due 2015	\$ —	\$ 624.3
2.375%, due 2017	399.9	398.9
5.875%, due 2017	527.6	526.7
1.875%, due 2018	621.9	616.4
2.300%, due 2018	645.9	644.3
2.250%, due 2019	843.9	842.1
7.000%, due 2019	438.9	438.5
4.350%, due 2020	702.9	695.3
3.700%, due 2021	696.2	695.6
3.125%, due 2022	842.7	841.6
3.300%, due 2023	992.2	991.2
3.500%, due 2024	790.9	789.8
5.950%, due 2034	444.5	444.4
5.850%, due 2036	768.0	767.7
6.375%, due 2037	639.6	639.3
5.800%, due 2040	193.8	206.4
4.625%, due 2042	885.8	885.4
4.650%, due 2043	985.5	985.0
4.650%, due 2044	790.5	790.1
5.100%, due 2044	593.3	593.1
4.850%, due 2054	246.6	246.5
Remarketable subordinated notes:		
1.900%, due 2028	1,236.1	—
Surplus notes:		
9.000%, due 2027	24.9	24.9
Senior convertible debentures:		
2.750%, due 2042	330.7	956.4
Variable rate debt:		
Commercial paper program	682.2	—
Total long-term debt	15,324.5	14,643.9
Current portion of long-term debt	—	(624.3)
Long-term debt, less current portion	\$ 15,324.5	\$ 14,019.6

All debt is a direct obligation of Anthem, Inc., except for the surplus notes and the FHLB borrowings.

We generally issue senior unsecured notes for long-term borrowing purposes. On September 10, 2015, we repaid, upon maturity, the \$625.0 outstanding principal balance of our 1.25% Notes due 2015. Additionally, during the year ended December 31, 2015, we repurchased \$13.0 of outstanding principal balance of certain senior unsecured notes, plus applicable premium, accrued and unpaid interest, for cash totaling \$16.2. We recognized a loss on extinguishment of debt of \$3.4 on the repurchase of these notes.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

On May 12, 2015, we issued 250 Equity Units, pursuant to an underwriting agreement dated May 6, 2015, in an aggregate principal amount of \$1,250.0. Each Equity Unit has a stated amount of \$50 (whole dollars) and consists of a purchase contract obligating the holder to purchase a certain number of shares of our common stock on May 1, 2018, subject to earlier termination or settlement, for a price in cash of \$50 (whole dollars); and a 5% undivided beneficial ownership interest in \$1,000 (whole dollars) principal amount of our 1.900% remarketable subordinated notes, or RSNs, due 2028. We received \$1,228.8 in cash proceeds from the issuance of the Equity Units, net of underwriting discounts and commissions and offering expenses payable by us, and recorded \$1,250.0 in long-term debt. The proceeds are being used for general corporate purposes, including, but not limited to, the repurchase of a portion of our outstanding senior convertible debentures due 2042. On May 1, 2018, if the applicable market value of our common stock is equal to or greater than \$207.805 per share, the settlement rate will be 0.2406 shares of our common stock. If the applicable market value of our common stock is less than \$207.805 per share but greater than \$143.865 per share, the settlement rate will be a number of shares of our common stock equal to \$50 (whole dollars) divided by the applicable market value of our common stock. If the applicable market value of common stock is less than or equal to \$143.865 per share, the settlement rate will be 0.3475 shares of our common stock. Holders of the Equity Units may elect early settlement at a minimum settlement rate of 0.2406 shares of our common stock for each purchase contract being settled. The RSNs are pledged as collateral to secure the purchase of common stock under the related stock purchase contracts. Quarterly interest payments on the RSNs commenced on August 1, 2015. The RSNs are scheduled to be remarketed during the five business day period ending on April 26, 2018 and may be remarketed earlier, at our election, during the period from January 30, 2018 through April 12, 2018. Following the remarketing, the interest rate on the RSNs will be set to current market rates and interest will be payable semi-annually. At December 31, 2015, the stock purchase contract liability was \$102.3 and is included in other current liabilities and other noncurrent liabilities. Contract adjustment payments commenced on August 1, 2015 at a rate of 3.350% per annum on the stated amount per Equity Unit. Subject to certain specified terms and conditions, we have the right to defer payments on all or part of the contract adjustment payments but not beyond the contract settlement date and we have the right to defer payment of interest on the RSNs but not beyond the purchase contract settlement date or maturity date.

On September 15, 2014, we redeemed the \$500.0 outstanding principal balance of our 5.000% senior unsecured notes due 2014, plus applicable premium for early redemption and accrued and unpaid interest to the redemption date, for cash totaling \$512.3. We recognized a loss on extinguishment of debt of \$2.3 on the redemption of these notes.

On September 11, 2014, we redeemed the \$1,097.9 outstanding principal balance of our 5.250% senior unsecured notes due 2016, plus applicable premium for early redemption and accrued and unpaid interest to the redemption date, for cash totaling \$1,178.2. We recognized a loss on extinguishment of debt of \$67.6 on the redemption of these notes.

Additionally, during the year ended December 31, 2014, we repurchased \$52.0 of outstanding principal amount of certain other senior unsecured notes, plus applicable premium, accrued and unpaid interest, for cash totaling \$61.0. We recognized a loss on extinguishment of debt of \$11.2 on the repurchase of these notes.

On August 12, 2014, we issued \$850.0 of 2.250% notes due 2019, \$800.0 of 3.500% notes due 2024, \$800.0 of 4.650% notes due 2044, and \$250.0 of 4.850% notes due 2054 under our shelf registration statement. We used the proceeds from this offering in part to fund the purchase price of the 5.000% and 5.250% senior unsecured notes discussed above, and the remaining net proceeds were used for general corporate purposes. Interest on the notes is payable semi-annually in arrears on February 15 and August 15 of each year, commencing on February 15, 2015. The notes have a call feature that allows us to redeem the notes at any time at our option and a put feature that allows a note holder to redeem the notes upon the occurrence of both a change in control event and a downgrade of the notes below an investment grade rating.

Surplus notes are unsecured obligations of Anthem Insurance Companies, Inc., or Anthem Insurance, a wholly owned subsidiary, and are subordinate in right of payment to all of Anthem Insurance's existing and future indebtedness. Any payment of interest or principal on the surplus notes may be made only with the prior approval of the Indiana Department of Insurance, or IDOI, and only out of capital and surplus funds of Anthem Insurance that the IDOI determines to be available for the payment under Indiana insurance laws.

On August 25, 2015, we terminated our \$2,000.0 senior revolving credit facility, initially scheduled to mature on September 29, 2016, and entered into a new \$3,500.0 senior revolving credit facility, or the Facility, with a group of lenders. The interest rate on the Facility is based on either the LIBOR rate or a base rate plus a predetermined rate based on our public debt rating at the date of utilization. Our ability to borrow under the Facility is subject to compliance with certain covenants.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

The Facility matures on August 25, 2020 and is available for general corporate purposes. There were no amounts outstanding under the senior revolving credit facilities at December 31, 2015 or 2014.

We have an authorized commercial paper program of up to \$2,500.0, the proceeds of which may be used for general corporate purposes. At December 31, 2015, we had \$682.2 outstanding under our commercial paper program with a weighted-average interest rate of 0.705%. We did not have any borrowings outstanding under our commercial paper program at December 31, 2014. Commercial paper borrowings have been classified as long-term debt at December 31, 2015 as our general practice and intent is to replace short-term commercial paper outstanding at expiration with additional short-term commercial paper for an uninterrupted period extending for more than one year and we have the ability to redeem our commercial paper with borrowings under the senior credit facility described above.

During the year ended December 31, 2015, we entered into a bridge facility commitment letter and a joinder agreement, and a term loan facility, to finance a portion of the pending acquisition of Cigna. We paid \$106.6 in fees in connection with the bridge facility which were capitalized in other current assets and are amortized as interest expense over the term of the facility. We recorded \$36.8 of amortization of the bridge loan facility fees during the year ended December 31, 2015. The commitment of the lenders to provide the bridge facility and term loan facility is subject to several conditions, including the completion of the Acquisition. For additional information, see the "Pending Acquisition of Cigna Corporation" section of Note 3, "Business Acquisitions and Divestiture."

Convertible Debentures

On October 9, 2012, we issued \$1,500.0 of senior convertible debentures, or the Debentures. The Debentures are governed by an indenture, or the Indenture, dated as of October 9, 2012 between us and The Bank of New York Mellon Trust Company, N.A., as trustee. The Debentures bear interest at a rate of 2.750% per year, payable semi-annually in arrears in cash on April 15 and October 15 of each year, and mature on October 15, 2042, unless earlier redeemed, repurchased or converted into shares of common stock at the applicable conversion rate. The Debentures also have a contingent interest feature that will require us to pay additional interest based on certain thresholds and for certain events, as defined in the Indenture, beginning on October 15, 2022.

Holders may convert their Debentures at their option prior to the close of business on the business day immediately preceding April 15, 2042, only under the following circumstances: (1) during any fiscal quarter if the last reported sale price of our common stock for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day; (2) during the five business day period after any 10 consecutive trading day period, or the measurement period, in which the trading price per \$1,000 (whole dollars) principal amount of Debentures for each trading day of that measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such day; (3) if we call any or all of the Debentures for redemption, at any time prior to the close of business on the third scheduled trading day prior to the redemption date; or (4) upon the occurrence of specified corporate events, as defined in the Indenture. On and after April 15, 2042 and until the close of business on the third scheduled trading day immediately preceding the Debentures' maturity date of October 15, 2042, holders may convert their Debentures into common stock at any time irrespective of the preceding circumstances. The Debentures are redeemable at our option at any time on or after October 20, 2022, upon the occurrence of certain events, as defined in the Indenture.

Upon conversion of the Debentures, we will deliver cash up to the aggregate principal amount of the Debentures converted. With respect to any conversion obligation in excess of the aggregate principal amount of the Debentures converted, we have the option to settle the excess with cash, shares of our common stock or a combination thereof based on a daily conversion value, determined in accordance with the Indenture. The initial conversion rate for the Debentures was 13.2319 shares of our common stock per Debenture, which represented a 25% conversion premium based on the closing price of \$60.46 per share of our common stock on October 2, 2012 (the date the Debentures' terms were finalized) and is equivalent to an initial conversion price of \$75.575 per share of our common stock.

During the year ended December 31, 2015, we repurchased \$920.0 of the aggregate principal balance of the Debentures. In addition, \$66.6 aggregate principal balance was surrendered for conversion by certain holders in accordance with the terms and provisions of the indenture. We elected to settle the excess of the principal amount of the repurchases and conversions

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

with cash for total payments of \$2,055.7. We recognized a gain on the extinguishment of debt related to the Debentures of \$12.7, based on the fair values of the debt on the repurchase and conversion settlement dates.

As of December 31, 2015, our common stock was last traded at a price of \$139.44 per share. If the remaining Debentures had been converted or matured at December 31, 2015, we would be obligated to pay the principal of the Debentures plus an amount in cash or shares equal to \$452.3. The Debentures and underlying shares of our common stock have not been and will not be registered under the Securities Act of 1933, as amended, or the Securities Act, or any state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. The Debentures were offered and sold to qualified institutional buyers pursuant to Rule 144A under the Securities Act, the restrictions for which expired in October 2013.

We have accounted for the Debentures in accordance with the cash conversion guidance in FASB guidance for debt with conversion and other options. As a result, the value of the embedded conversion option has been bifurcated from its debt host and recorded as a component of "additional paid-in capital" (net of deferred taxes and equity issuance costs) in our consolidated balance sheet.

The following table summarizes at December 31, 2015 the related balances, conversion rate and conversion price of the Debentures:

Outstanding principal amount	\$ 513.4
Unamortized debt discount	\$ 176.8
Net debt carrying amount	\$ 330.7
Equity component carrying amount	\$ 186.1
Conversion rate (shares of common stock per \$1,000 of principal amount)	13.4886
Effective conversion price (per \$1,000 of principal amount)	\$ 74.1360

The remaining amortization period of the unamortized debt discount as of December 31, 2015 is approximately 27 years. The unamortized discount will be amortized into interest expense using the effective interest method based on an effective interest rate of 5.130%, which represents the market interest rate for a comparable debt instrument that does not have a conversion feature. During the year ended December 31, 2015, we recognized \$32.5 of interest expense related to the Debentures, of which \$26.6 represented interest expense recognized at the stated interest rate of 2.750% and \$5.9 represented interest expense resulting from amortization of the debt discount.

Total interest paid during 2015, 2014 and 2013 was \$604.0, \$575.9, and \$597.2, respectively.

We were in compliance with all applicable covenants under all of our outstanding debt agreements at December 31, 2015.

Future maturities of all long-term debt outstanding at December 31, 2015 are as follows: 2016, \$682.2; 2017, \$927.5; 2018, \$1,267.8; 2019, \$1,282.8; 2020, \$702.9 and thereafter, \$10,461.3.

13. Commitments and Contingencies

Litigation

In the ordinary course of business, we are defendants in, or parties to, a number of pending or threatened legal actions or proceedings. To the extent a plaintiff or plaintiffs in the following cases have specified in their complaint or in other court filings the amount of damages being sought, we have noted those alleged damages in the descriptions below. With respect to the cases described below, we contest liability and/or the amount of damages in each matter and believe we have meritorious defenses.

We are defending a certified class action filed as a result of the 2001 demutualization of Anthem Insurance. The lawsuit names Anthem Insurance as well as Anthem, Inc. and is captioned *Ronald Gold, et al. v. Anthem, Inc. et al.* Anthem Insurance's 2001 Plan of Conversion, or the Plan, provided for the conversion of Anthem Insurance from a mutual insurance company into a stock insurance company pursuant to Indiana law. Under the Plan, Anthem Insurance distributed the fair

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

value of the company at the time of conversion to its Eligible Statutory Members, or ESMs, in the form of cash or Anthem common stock in exchange for their membership interests in the mutual company. Plaintiffs in *Gold* allege that Anthem Insurance distributed value to the wrong ESMs. Cross motions for summary judgment were granted in part and denied in part in July 2006 with regard to the issue of sovereign immunity asserted by co-defendant, the state of Connecticut, or the State. The trial court also denied our motion for summary judgment as to plaintiffs' claims in January 2005. The State appealed the denial of its motion to the Connecticut Supreme Court. We filed a cross-appeal on the sovereign immunity issue. In May 2010, the Supreme Court reversed the judgment of the trial court denying the State's motion to dismiss the plaintiff's claims under sovereign immunity and dismissed our cross-appeal. The case was remanded to the trial court for further proceedings. Plaintiffs' motion for class certification was granted in December 2011. We and the plaintiffs filed renewed cross-motions for summary judgment in January 2013. In August 2013, the trial court denied plaintiffs' motion for summary judgment. The trial court deferred a final ruling on our motion for summary judgment. In March 2014, the trial court denied our motion for summary judgment finding that an issue of material fact existed. A trial on liability was held in October 2014. In June 2015, the court entered judgment for Anthem Insurance on all issues, finding that (1) Anthem Insurance correctly determined the State to be an ESM, not Plaintiffs; (2) Anthem Insurance acted in good faith in making this determination, while Plaintiffs failed to present sufficient evidence to override a presumption that Anthem Insurance's ESM determination was correct; and (3) Plaintiffs failed to prove the breach of any contractual obligation. In July 2015, Plaintiffs filed a notice of appeal from the judgment entered for Anthem Insurance. In December 2015, the Connecticut Supreme Court decided it would hear the appeal directly rather than the appeal going to the intermediate appellate court. A date for argument has not been set. We intend to vigorously seek the affirmation of the trial court's judgment; however, the suit's ultimate outcome cannot be presently determined.

We are currently a defendant in eleven putative class actions relating to out-of-network, or OON, reimbursement that were consolidated into a single multi-district lawsuit called *In re WellPoint, Inc. (n/k/a Anthem, Inc.) Out-of-Network "UCR" Rates Litigation* that is pending in the United States District Court for the Central District of California. The lawsuits were filed in 2009. The plaintiffs include current and former members on behalf of a putative class of members who received OON services for which the defendants paid less than billed charges, the American Medical Association, four state medical associations, OON physicians, OON non-physician providers, the American Podiatric Medical Association, California Chiropractic Association and the California Psychological Association on behalf of putative classes of OON physicians and all OON non-physician health care providers. The plaintiffs have filed several amended complaints alleging that the defendants violated the Racketeer Influenced and Corrupt Organizations Act, or RICO, the Sherman Antitrust Act, ERISA, federal regulations, and state law by using an OON reimbursement database called Ingenix and by using non-Ingenix OON reimbursement methodologies. We have filed motions to dismiss in response to each of those amended complaints. Our motions to dismiss have been granted in part and denied in part by the court. The most recent pleading filed by the plaintiffs is a Fourth Amended Complaint to which we filed a motion to dismiss most, but not all, of the claims. In July 2013 the court issued an order granting in part and denying in part our motion. The court held that the state and federal anti-trust claims along with the RICO claims should be dismissed in their entirety with prejudice. The court further found that the ERISA claims, to the extent they involved non-Ingenix methodologies, along with those that involved our alleged non-disclosures should be dismissed with prejudice. The court also dismissed most of the plaintiffs' state law claims with prejudice. The only claims that remain after the court's decision are an ERISA benefits claim relating to claims priced based on Ingenix, a breach of contract claim on behalf of one subscriber plaintiff, a breach of implied covenant claim on behalf of one subscriber plaintiff, and one subscriber plaintiff's claim under the California Unfair Competition Law. The plaintiffs filed a motion for reconsideration of the motion to dismiss order, which the court granted in part and denied in part. The court ruled that the plaintiffs adequately allege that one Georgia provider plaintiff is deemed to have exhausted administrative remedies regarding non-Ingenix methodologies based on the facts alleged regarding that plaintiff so those claims are back in the case. Fact discovery is complete. The plaintiffs filed a motion for class certification in November 2013 seeking six different classes. Following expert discovery and briefing, oral argument was held on the motion. In late 2014, the court denied the plaintiffs' motion for class certification in its entirety. The California subscriber plaintiffs filed a motion for leave to file a renewed motion for class certification with more narrowly defined proposed classes, which the court denied. All but two of the individually named subscribers and all of the providers and medical associations dismissed their claims with prejudice. Motions for summary judgment are due in early 2016. Earlier in the case, in 2009, we filed a motion in the United States District Court for the Southern District of Florida, or the Florida Court, to enjoin the claims brought by the physician plaintiffs and certain medical association plaintiffs based on prior litigation releases, which was granted in 2011. The Florida Court ordered those plaintiffs to dismiss their claims that are barred by the release. The plaintiffs then filed a petition for declaratory judgment asking the court to find that these claims are not barred by the releases from the prior litigation. We

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filed a motion to dismiss the declaratory judgment action, which was granted. The plaintiffs appealed the dismissal of the declaratory judgment to the United States Court of Appeals for the Eleventh Circuit, but the dismissal was upheld. The enjoined physicians and some of the medical associations did not dismiss their barred claims. The Florida Court found those enjoined plaintiffs in contempt and sanctioned them in July 2012. Those plaintiffs appealed the Florida Court's sanctions order to the United States Court of Appeals for the Eleventh Circuit. The Eleventh Circuit upheld the Florida court's enforcement of the injunction as it relates to the plaintiffs' RICO and antitrust claims, but vacated it as it relates to certain ERISA claims. The plaintiffs filed a petition for rehearing en banc as to the antitrust claims only, which was denied. The plaintiffs then filed a petition for writ of certiorari with the U.S. Supreme Court. The American Medical Association filed an amicus brief in support of the petition. The U.S. Supreme Court denied the petition in February 2015. We intend to vigorously defend these suits; however, their ultimate outcome cannot be presently determined.

We are a defendant in multiple lawsuits that were initially filed in 2012 against the BCBSA as well as Blue Cross and/or Blue Shield licensees across the country. The cases were consolidated into a single multi-district lawsuit called *In re Blue Cross Blue Shield Antitrust Litigation* that is pending in the United States District Court for the Northern District of Alabama. Generally, the suits allege that the BCBSA and the Blue plans have engaged in a conspiracy to horizontally allocate geographic markets through license agreements, best efforts rules (which limit the percentage of non-Blue revenue of each plan), restrictions on acquisitions and other arrangements in violation of the Sherman Antitrust Act and related state laws. The cases were brought by two putative nationwide classes of plaintiffs, health plan subscribers and providers. Subscriber and provider plaintiffs each filed consolidated amended complaints in July 2013. The consolidated amended subscriber complaint was also brought on behalf of putative state classes of health plan subscribers in Alabama, Arkansas, California, Florida, Hawaii, Illinois, Louisiana, Michigan, Mississippi, Missouri, New Hampshire, North Carolina, Pennsylvania, Rhode Island, South Carolina, Tennessee, and Texas. Defendants filed motions to dismiss in September 2013, which were argued in April 2014. In June 2014, the court denied the majority of the motions, ruling that plaintiffs had alleged sufficient facts at this stage of the litigation to avoid dismissal of their claims. Following the subsequent filing of amended complaints by each of the subscriber and provider plaintiffs, we filed our answer and asserted our affirmative defenses in December 2014. Discovery has commenced. We intend to vigorously defend these suits; however, their ultimate outcome cannot be presently determined.

Our California affiliate Blue Cross of California doing business as Anthem Blue Cross, or BCC, has been named as a defendant, along with an unaffiliated entity, in a California taxpayer action filed in Los Angeles County Superior Court, captioned as *Michael D. Myers v. State Board of Equalization, et al.*, Los Angeles Superior Court Case No. BS143436, Second Appellate District Court Case No. B255455. This action is brought under a California statute that permits an individual taxpayer to sue a governmental agency when the taxpayer believes the agency has failed to enforce governing law. Plaintiff contends that BCC, a licensed Health Care Service Plan, or HCSP, is an "insurer" for purposes of taxation despite acknowledging it is not an "insurer" under regulatory law. Under California law, "insurers" must pay a gross premiums tax, or GPT, calculated as 2.35% on gross premiums. As a licensed HCSP, BCC has paid the California Corporate Franchise Tax, or CFT, the tax paid by California businesses generally. Plaintiff contends that BCC must pay the GPT rather than the CFT. Plaintiff seeks a writ of mandate directing the taxing agencies to collect the GPT, and seeks an order requiring BCC to pay GPT back taxes, interest, and penalties, for a period dating to eight years prior to the July 2013 filing of the complaint. In February 2014, the Superior Court sustained BCC's demurrer to the complaint, without leave to amend, ruling that BCC is not an "insurer" for purposes of taxation. Plaintiff appealed. In September 2015, the Court of Appeal reversed the Superior Court's ruling, and remanded. The Court of Appeal held that a HCSP could be an insurer for purposes of taxation if it wrote predominantly "indemnity" products. In October 2015, BCC filed a petition for rehearing in the Court of Appeal which was denied. In November 2015, BCC filed a petition for review with the California Supreme Court which was denied in December 2015. This lawsuit is being coordinated with similar lawsuits filed against other entities. All are set for an initial status conference in April 2016. BCC intends to vigorously defend this suit; however, its ultimate outcome cannot be presently determined.

Where available information indicates that it is probable that a loss has been incurred as of the date of the consolidated financial statements and we can reasonably estimate the amount of that loss, we accrue the estimated loss by a charge to income. In many proceedings, however, it is difficult to determine whether any loss is probable or reasonably possible. In addition, even where loss is possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously identified loss contingency, it is not always possible to reasonably estimate the amount of the possible loss or range of loss.

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With respect to many of the proceedings to which we are a party, we cannot provide an estimate of the possible losses, or the range of possible losses in excess of the amount, if any, accrued, for various reasons, including but not limited to some or all of the following: (i) there are novel or unsettled legal issues presented, (ii) the proceedings are in early stages, (iii) there is uncertainty as to the likelihood of a class being certified or decertified or the ultimate size and scope of the class, (iv) there is uncertainty as to the outcome of pending appeals or motions, (v) there are significant factual issues to be resolved, and/or (vi) in many cases, the plaintiffs have not specified damages in their complaint or in court filings. For those legal proceedings where a loss is probable, or reasonably possible, and for which it is possible to reasonably estimate the amount of the possible loss or range of losses, we currently believe that the range of possible losses, in excess of established reserves, for all of those proceedings is from \$0 to approximately \$250.0 at December 31, 2015. This estimated aggregate range of reasonably possible losses is based upon currently available information taking into account our best estimate of such losses for which such an estimate can be made.

Cyber Attack Incident

In February 2015, we reported that we were the target of a sophisticated external cyber attack. The attackers gained unauthorized access to certain of our information technology systems and obtained personal information related to many individuals and employees, such as names, birthdays, health care identification/social security numbers, street addresses, email addresses, phone numbers and employment information, including income data. To date, there is no evidence that credit card or medical information, such as claims, test results or diagnostic codes, were targeted, accessed or obtained, although no assurance can be given that we will not identify additional information that was accessed or obtained.

We have continued to implement security enhancements since this incident and are supporting federal law enforcement efforts to identify the responsible parties. Upon discovery of the cyber attack, we took immediate action to remediate the security vulnerability and retained a cybersecurity firm to evaluate our systems and identify solutions based on the evolving landscape. We are providing credit monitoring and identity protection services to those who have been affected by this cyber attack. We have incurred expenses subsequent to the cyber attack to investigate and remediate this matter and expect to continue to incur expenses of this nature in the foreseeable future. We will recognize these expenses in the periods in which they are incurred.

Actions have been filed in various federal and state courts and other claims have been or may be asserted against us on behalf of current or former members, current or former employees, other individuals, shareholders or others seeking damages or other related relief, allegedly arising out of the cyber attack. State and federal agencies, including state insurance regulators, state attorneys general, the Health and Human Services Office of Civil Rights and the Federal Bureau of Investigation, are investigating events related to the cyber attack, including how it occurred, its consequences and our responses. Although we are cooperating in these investigations, we may be subject to fines or other obligations, which may have an adverse effect on how we operate our business and our results of operations. With respect to the civil actions, a motion to transfer was filed with the Judicial Panel on Multidistrict Litigation in February 2015 and was subsequently heard by the Panel in May 2015. In June 2015, the Panel entered its order transferring the consolidated matter to the U.S. District Court for the Northern District of California. The U.S. District Court entered its Case Management Order in September 2015. We have filed a Motion to Dismiss several of the counts that are before the U.S. District Court. There remain a few state court cases that are presently proceeding outside of the Multidistrict Litigation.

We have contingency plans and insurance coverage for certain expenses and potential liabilities of this nature. The coverage has been sufficient to cover the majority of claims and liabilities incurred to date. While a loss from these matters is reasonably possible, we cannot reasonably estimate a range of possible losses because our investigation into the matter is ongoing, the proceedings remain in the early stages, alleged damages have not been specified, there is uncertainty as to the likelihood of a class or classes being certified or the ultimate size of any class if certified, and there are significant factual and legal issues to be resolved.

Other Contingencies

From time to time, we and certain of our subsidiaries are parties to various legal proceedings, many of which involve claims for coverage encountered in the ordinary course of business. We, like HMOs and health insurers generally, exclude certain health care and other services from coverage under our HMO, PPO and other plans. We are, in the ordinary course of business, subject to the claims of our enrollees arising out of decisions to restrict or deny reimbursement for uncovered

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services. The loss of even one such claim, if it results in a significant punitive damage award, could have a material adverse effect on us. In addition, the risk of potential liability under punitive damage theories may increase significantly the difficulty of obtaining reasonable settlements of coverage claims.

In addition to the lawsuits described above, we are also involved in other pending and threatened litigation of the character incidental to our business, and are from time to time involved as a party in various governmental investigations, audits, reviews and administrative proceedings. These investigations, audits, reviews and administrative proceedings include routine and special inquiries by state insurance departments, state attorneys general, the U.S. Attorney General and subcommittees of the U.S. Congress. Such investigations, audits, reviews and administrative proceedings could result in the imposition of civil or criminal fines, penalties, other sanctions and additional rules, regulations or other restrictions on our business operations. Any liability that may result from any one of these actions, or in the aggregate, could have a material adverse effect on our consolidated financial position or results of operations.

The National Organization of Life & Health Insurance Guaranty Associations, or NOLHGA, is a voluntary organization consisting of the state life and health insurance guaranty associations located throughout the U.S. Such associations, working together with NOLHGA, provide a safety net for their state's policyholders, ensuring that they continue to receive coverage, subject to state maximum limits, even if their insurer is declared insolvent. We are aware that the Pennsylvania Insurance Commissioner, or Insurance Commissioner, has placed Penn Treaty Network America Insurance Company and its subsidiary American Network Insurance Company, or collectively Penn Treaty, in rehabilitation, an intermediate action before insolvency. The state court denied the Insurance Commissioner's petition for the liquidation of Penn Treaty and ordered the Insurance Commissioner to file an updated plan of rehabilitation. The state court commenced a hearing in connection with the updated plan in July 2015, which has been adjourned. The state court has begun scheduling settlement conferences to resolve outstanding issues with the plan. In the event rehabilitation of Penn Treaty is unsuccessful and Penn Treaty is declared insolvent and placed in liquidation, we and other insurers may be required to pay a portion of their policyholder claims through state guaranty association assessments in future periods. Given the uncertainty around whether Penn Treaty will ultimately be declared insolvent and, if so, the amount of the insolvency, the amount and timing of any associated future guaranty fund assessments, and the availability and amount of any potential premium tax and other offsets, we currently cannot estimate our net exposure, if any, to this potential insolvency. We will continue to monitor the situation and may record a liability and expense in future reporting periods, which could be material to our cash flows and results of operations.

Contractual Obligations and Commitments

We are a party to an agreement with Express Scripts, Inc., or Express Scripts, whereby Express Scripts is the exclusive provider of certain pharmacy benefit management, or PBM, services to our plans, excluding our CareMore and Simply Healthcare subsidiaries and certain self-insured members, which have exclusive agreements with different PBM service providers. The initial term of this agreement expires on December 31, 2019. Under this agreement, the Express Scripts PBM services include, but are not limited to, pharmacy network management, mail order and specialty drug fulfillment, claims processing, rebate management and specialty pharmaceutical management services. Accordingly, the agreement contains certain financial and operational requirements obligating both Express Scripts and us. Express Scripts' primary obligations relate to the performance of such services in a compliant manner and meeting certain pricing guarantees and performance standards. Our primary responsibilities relate to formulary management, product and benefit design, provision of data, payment for services, certain minimum volume requirements and oversight. The failure by either party to meet the respective requirements could potentially serve as a basis for financial penalties or early termination of the contract. We believe we have appropriately recognized all rights and obligations under this contract at December 31, 2015.

During November 2015, we entered into an amended and restated agreement with Accenture LLP to provide business process outsourcing services. This new agreement supersedes certain prior agreements, converts certain services to transaction based pricing and also includes provisions for additional services. Our remaining commitment under this agreement at December 31, 2015 was \$224.0 through December 31, 2019. We have the ability to terminate this agreement upon the occurrence of certain events, subject to early termination fees.

During December 2014, we entered into a new agreement with International Business Machines Corporation to provide information technology infrastructure services. This new agreement supersedes certain prior agreements and also includes provisions for additional services. Our remaining commitment under this agreement at December 31, 2015 was \$378.4

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through March 31, 2020. We have the ability to terminate this agreement upon the occurrence of certain events, subject to early termination fees.

On March 31, 2009, we entered into an agreement with Affiliated Computer Services, Inc. to provide certain print and mailroom services that were previously performed in-house. Our remaining commitment under this agreement at December 31, 2015 was \$15.7 through March 31, 2016. We have the ability to terminate this agreement upon the occurrence of certain events, subject to early termination fees.

Vulnerability from Concentrations

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash equivalents, investment securities, premium receivables and instruments held through hedging activities. All investment securities are managed by professional investment managers within policies authorized by our Board of Directors. Such policies limit the amounts that may be invested in any one issuer and prescribe certain investee company criteria. Concentrations of credit risk with respect to premium receivables are limited due to the large number of employer groups that constitute our customer base in the states in which we conduct business. As of December 31, 2015, there were no significant concentrations of financial instruments in a single investee, industry or geographic location.

14. Capital Stock

Stock Incentive Plans

Our Board of Directors has adopted the Anthem Incentive Compensation Plan, or Incentive Compensation Plan, which has been approved by our shareholders. The term of the Incentive Compensation Plan is such that no awards may be granted on or after May 20, 2019. The Incentive Compensation Plan gives authority to the Compensation Committee of the Board of Directors to make incentive awards to our non-employee directors, employees and consultants, consisting of stock options, stock, restricted stock, restricted stock units, cash-based awards, stock appreciation rights, performance shares and performance units. The Incentive Compensation Plan, as amended and restated, limits the number of available shares for issuance to 60.1 shares, subject to adjustment as set forth in the Incentive Compensation Plan.

Stock options are granted for a fixed number of shares with an exercise price at least equal to the fair value of the shares at the grant date. Stock options vest over three years in equal semi-annual installments and generally have a term of ten years from the grant date.

Certain option grants contain provisions whereby the employee continues to vest in the award subsequent to termination due to retirement. Our attribution method for newly granted awards considers all vesting and other provisions, including retirement eligibility, in determining the requisite service period over which the fair value of the awards will be recognized.

Awards of restricted stock or restricted stock units are issued at the fair value of the stock on the grant date and may also include one or more performance measures that must be met for the award to vest. The restrictions lapse in three equal annual installments. Performance units issued in 2015 will vest in 2018, based on earnings targets over the three year period of 2015 to 2017.

For the years ended December 31, 2015, 2014 and 2013, we recognized share-based compensation expense of \$148.2, \$168.9 and \$146.0, respectively, as well as related tax benefits of \$53.7, \$60.7 and \$52.6, respectively.

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A summary of stock option activity for the year ended December 31, 2015 is as follows:

	Number of Shares	Weighted-Average Option Price per Share	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2015	7.3	\$ 70.30		
Granted	1.3	146.73		
Exercised	(2.4)	67.74		
Forfeited or expired	(0.2)	102.14		
Outstanding at December 31, 2015	6.0	87.23	4.21	\$ 322.7
Exercisable at December 31, 2015	3.9	71.96	2.76	\$ 263.3

The intrinsic value of options exercised during the years ended December 31, 2015, 2014 and 2013 amounted to \$188.1, \$156.7 and \$176.0, respectively. We recognized tax benefits of \$68.0, \$53.2 and \$56.8 in 2015, 2014 and 2013, respectively, from option exercises and disqualifying dispositions. During the years ended December 31, 2015, 2014 and 2013 we received cash of \$162.2, \$283.6 and \$524.7, respectively, from exercises of stock options.

The total fair value of restricted stock awards that vested during the years ended December 31, 2015, 2014 and 2013 was \$257.2, \$174.0 and \$46.7, respectively.

A summary of the status of nonvested restricted stock activity, including restricted stock units, for the year ended December 31, 2015 is as follows:

	Restricted Stock Shares and Units	Weighted-Average Grant Date Fair Value per Share
Nonvested at January 1, 2015	3.6	\$ 75.63
Granted	0.9	147.00
Vested	(1.7)	72.25
Forfeited	(0.1)	101.57
Nonvested at December 31, 2015	2.7	101.66

During the year ended December 31, 2015, we granted approximately 0.4 restricted stock units that are contingent upon us achieving earning targets over the three year period of 2015 to 2017. These grants have been included in the activity shown above, but will be subject to adjustment at the end of 2017, based on results in the three year period.

As of December 31, 2015, the total remaining unrecognized compensation expense related to nonvested stock options and restricted stock amounted to \$19.3 and \$98.7, respectively, which will be amortized over the weighted-average remaining requisite service periods of 10 months.

As of December 31, 2015, there were approximately 18.7 shares of common stock available for future grants under the Incentive Compensation Plan.

Fair Value

We use a binomial lattice valuation model to estimate the fair value of all stock options granted. Expected volatility assumptions used in the binomial lattice model are based on an analysis of implied volatilities of publicly traded options on our stock and historical volatility of our stock price. The risk-free interest rate is derived from the U.S. Treasury strip rates at the time of the grant. The expected term of the options was derived from the outputs of the binomial lattice model, which incorporates post-vesting forfeiture assumptions based on an analysis of historical data. The dividend yield was based on our estimate of future dividend yields. Similar groups of employees that have dissimilar exercise behavior are considered separately for valuation purposes. We utilize the "multiple-grant" approach for recognizing compensation expense associated with each separately vesting portion of the share-based award.

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Notes to Consolidated Financial Statements (continued)

The following weighted-average assumptions were used to estimate the fair values of options granted during the years ended December 31:

	2015	2014	2013
Risk-free interest rate	1.96%	2.16%	1.25%
Volatility factor	31.00%	35.00%	35.00%
Dividend yield (annual)	1.70%	2.00%	2.40%
Weighted-average expected life (years)	4.00	3.75	4.00

The following weighted-average fair values were determined for the years ending December 31:

	2015	2014	2013
Options granted during the year	\$ 33.97	\$ 22.41	\$ 14.64
Restricted stock and stock awards granted during the year	147.00	90.53	63.06

The binomial lattice option-pricing model requires the input of highly subjective assumptions including the expected stock price volatility. Because our stock option grants have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in our opinion, existing models do not necessarily provide a reliable single measure of the fair value of our stock option grants.

Employee Stock Purchase Plan

We have registered 14.0 shares of common stock for the Employee Stock Purchase Plan, or the Stock Purchase Plan, which is intended to provide a means to encourage and assist employees in acquiring a stock ownership interest in Anthem. Pursuant to terms of the Stock Purchase Plan, an employee is permitted to purchase no more than \$25,000 (actual dollars) worth of stock in any calendar year, based on the fair value of the stock at the end of each plan quarter. Employees become participants by electing payroll deductions from 1% to 15% of gross compensation. Once purchased, the stock is accumulated in the employee's investment account. The Stock Purchase Plan allows participants to purchase shares of our common stock at a price per share of 95% of the fair value of a share of common stock on the last trading day of the plan quarter. The employee stock purchase plan discount is not recognized as compensation expense based on GAAP guidance. There were 0.1 shares issued during the year ended December 31, 2015. As of December 31, 2015, 5.8 shares were available for issuance under the Stock Purchase Plan.

Use of Capital and Stock Repurchase Program

We regularly review the appropriate use of capital, including acquisitions, common stock and debt security repurchases and dividends to shareholders. The declaration and payment of any dividends or repurchases of our common stock or debt is at the discretion of our Board of Directors and depends upon our financial condition, results of operations, future liquidity needs, regulatory and capital requirements and other factors deemed relevant by our Board of Directors.

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A summary of the cash dividend activity for the years ended December 31, 2015 and 2014 is as follows:

Declaration Date	Record Date	Payment Date	Cash Dividend per Share	Total
Year ended December 31, 2015				
January 27, 2015	March 10, 2015	March 25, 2015	\$ 0.6250	\$ 166.6
April 28, 2015	June 10, 2015	June 25, 2015	0.6250	163.9
July 28, 2015	September 10, 2015	September 25, 2015	0.6250	163.0
October 27, 2015	December 4, 2015	December 21, 2015	0.6250	163.1
Year ended December 31, 2014				
January 28, 2014	March 10, 2014	March 25, 2014	\$ 0.4375	\$ 123.4
April 29, 2014	June 10, 2014	June 25, 2014	0.4375	120.5
July 29, 2014	September 10, 2014	September 25, 2014	0.4375	119.2
October 28, 2014	December 5, 2014	December 22, 2014	0.4375	117.6

On February 18, 2016, our Board of Directors declared a quarterly cash dividend to shareholders of \$0.6500 per share on the outstanding shares of our common stock. This quarterly dividend is payable on March 25, 2016 to the shareholders of record as of March 10, 2016.

Under our Board of Directors' authorization, we maintain a common stock repurchase program. On October 2, 2014, the Board of Directors authorized a \$5,000.0 increase to the common stock repurchase program. Repurchases may be made from time to time at prevailing market prices, subject to certain restrictions on volume, pricing and timing. The repurchases are effected from time to time in the open market, through negotiated transactions, including accelerated share repurchase agreements, and through plans designed to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. Our stock repurchase program is discretionary as we are under no obligation to repurchase shares. We repurchase shares under the program when we believe it is a prudent use of capital. The excess cost of the repurchased shares over par value is charged on a pro rata basis to additional paid-in capital and retained earnings.

A summary of common stock repurchases for the years ended December 31, 2015 and 2014 is as follows:

	Years Ended December 31	
	2015	2014
Shares repurchased	10.4	30.4
Average price per share	\$ 145.50	\$ 98.52
Aggregate cost	\$ 1,515.8	\$ 2,998.8
Authorization remaining at the end of each period	\$ 4,175.9	\$ 5,691.7

During the year ended December 31, 2015, we entered into a series of call and put options with certain counterparties to repurchase shares of our common stock. We exercised call options that enabled us to repurchase 2.1 shares of our common stock at an average strike price of \$135.03. In order to set the call option strike prices below our market price at inception on certain of these options, we sold 5.3 put options, the majority containing an average strike price equal to the call options. During the year ended December 31, 2015, 4.6 put options expired unexercised, while the remaining 0.7 put options were assigned to us, resulting in our repurchase of 0.7 shares of our common stock at an average share price of \$143.89. Based on GAAP guidance, the initial value of the call options was recognized as a reduction of shareholders' equity and the initial value of the put options was recognized as a liability.

Under the common stock repurchase program authorized by our Board of Directors, on February 4, 2014, we entered into an accelerated share repurchase agreement with a counterparty. The agreement provided for the repurchase of a number of our shares, equal to \$600.0, as determined by the dollar volume weighted-average share price during the term of the agreement. In March 2014, we repurchased 6.6 shares under the agreement.

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Notes to Consolidated Financial Statements (continued)

During 2013, we purchased call options on 3.0 shares of our common stock. The call options allowed us to repurchase shares at a predetermined strike price up through the expiration dates. The purpose of the call options was to reduce share price volatility on potential future common stock repurchases. The aggregate premium paid was \$25.8, of which \$7.9 was recorded as a reduction of shareholders' equity and the remaining \$17.9 was recorded as a derivative asset based on FASB guidance. The aggregate premium is reported in financing activities in our consolidated statements of cash flow. The call options had strike prices ranging from \$77.50 to \$83.10 per share. The aggregate fair value of the call options reported as a derivative asset was \$27.5 at December 31, 2013. The call options were exercised on various dates throughout January and February 2014.

For additional information regarding the use of capital for debt security repurchases, see Note 12, "Debt."

Equity Units

On May 12, 2015, we issued 25.0 Equity Units, pursuant to an underwriting agreement dated May 6, 2015, in an aggregate principal amount of \$1,250.0. For additional information relating to the Equity Units, see Note 12, "Debt."

15. Accumulated Other Comprehensive Income

A reconciliation of the components of accumulated other comprehensive income at December 31 is as follows:

	2015	2014
Investments:		
Gross unrealized gains	\$ 815.0	\$ 1,154.9
Gross unrealized losses	(447.5)	(196.8)
Net pretax unrealized gains	367.5	958.1
Deferred tax liability	(124.2)	(330.5)
Net unrealized gains on investments	243.3	627.6
Non-credit components of OTTI on investments:		
Gross unrealized losses	(15.4)	(6.8)
Deferred tax asset	5.4	2.4
Net unrealized non-credit component of OTTI on investments	(10.0)	(4.4)
Cash flow hedges:		
Gross unrealized losses	(124.8)	(55.2)
Deferred tax asset	43.7	19.3
Net unrealized losses on cash flow hedges	(81.1)	(35.9)
Defined benefit pension plans:		
Deferred net actuarial loss	(635.0)	(563.7)
Deferred prior service credits	0.1	2.2
Deferred tax asset	250.4	223.2
Net unrecognized periodic benefit costs for defined benefit pension plans	(384.5)	(338.3)
Postretirement benefit plans:		
Deferred net actuarial loss	(162.7)	(211.2)
Deferred prior service credits	73.5	88.0
Deferred tax asset	35.1	48.9
Net unrecognized periodic benefit costs for postretirement benefit plans	(54.1)	(74.3)
Foreign currency translation adjustments:		
Gross unrealized losses	(9.5)	(4.3)
Deferred tax asset	3.3	1.5
Net unrealized losses on foreign currency translation adjustments	(6.2)	(2.8)
Accumulated other comprehensive (loss) income	\$ (292.6)	\$ 171.9

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

Other comprehensive income (loss) reclassification adjustments for the years ended December 31 are as follows:

	2015	2014	2013
Investments:			
Net holding (loss) gain on investment securities arising during the period, net of tax benefit (expense) of \$180.4, (\$107.9), and \$102.4, respectively	\$ (336.1)	\$ 201.8	\$ (182.2)
Reclassification adjustment for net realized gain on investment securities, net of tax expense of \$25.9, \$44.8 and \$60.6, respectively	(48.2)	(83.2)	(112.5)
Total reclassification adjustment on investments	(384.3)	118.6	(294.7)
Non-credit component of OTTI on investments:			
Non-credit component of OTTI on investments, net of tax benefit (expense) of \$3.0, \$2.1, and (\$0.9), respectively	(5.6)	(3.9)	1.7
Cash flow hedges:			
Holding (loss) gain, net of tax benefit (expense) of \$24.4, \$1.9, and (\$1.6), respectively	(45.2)	(3.6)	3.0
Other:			
Net change in unrecognized periodic benefit costs for defined benefit pension and postretirement benefit plans, net of tax benefit (expense) of \$13.4, \$75.2, and (\$106.8), respectively	(26.0)	(118.1)	172.7
Foreign currency translation adjustment, net of tax benefit (expense) of \$1.8, \$2.2, and (\$0.6), respectively	(3.4)	(4.3)	1.4
Net loss recognized in other comprehensive loss, net of tax benefit of \$248.9, \$18.3, and \$53.1, respectively	\$ (464.5)	\$ (11.3)	\$ (115.9)

16. Reinsurance

We reinsure certain risks with other companies and assume risk from other companies. We remain primarily liable to policyholders under ceded insurance contracts and are contingently liable for amounts recoverable from reinsurers in the event that such reinsurers do not meet their contractual obligations. We evaluate the financial condition of our reinsurers and monitor concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize our exposure to significant losses from reinsurer insolvencies. In conjunction with the Health Care Reform temporary reinsurance premium stabilization program, we recognize assessments upon our fully-insured non-grandfathered individual market plans that are eligible for reinsurance recoveries as ceded premiums and estimated reinsurance recoveries as a reduction to benefit expense. Assessments upon all other lines of business not eligible for reinsurance recoveries are recognized in general and administrative expense.

A summary of direct, assumed and ceded premiums written and earned for the years ended December 31 is as follows:

	2015		2014		2013	
	Written	Earned	Written	Earned	Written	Earned
Direct	\$ 72,925.5	\$ 73,259.2	\$ 68,628.6	\$ 68,304.3	\$ 65,939.1	\$ 66,038.9
Assumed	221.8	221.9	192.3	194.0	174.3	174.0
Ceded	(95.8)	(96.0)	(108.5)	(108.5)	(92.6)	(93.8)
Net premiums	\$ 73,051.5	\$ 73,385.1	\$ 68,712.4	\$ 68,389.8	\$ 66,020.8	\$ 66,119.1
Percentage—assumed to net premiums	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

A summary of net premiums written and earned by segment (see Note 19, "Segment Information") for the years ended December 31 is as follows:

	2015		2014		2013	
	Written	Earned	Written	Earned	Written	Earned
Reportable segments:						
Commercial and Specialty Business	\$ 33,016.9	\$ 33,078.0	\$ 35,084.7	\$ 35,045.2	\$ 35,733.9	\$ 35,772.0
Government Business	40,034.6	40,307.1	33,627.7	33,344.6	30,286.9	30,347.1
Other	—	—	—	—	—	—
Net premiums	<u>\$ 73,051.5</u>	<u>\$ 73,385.1</u>	<u>\$ 68,712.4</u>	<u>\$ 68,389.8</u>	<u>\$ 66,020.8</u>	<u>\$ 66,119.1</u>

The effect of reinsurance on benefit expense for the years ended December 31 is as follows:

	2015	2014	2013
Direct	\$ 61,674.0	\$ 57,496.6	\$ 56,185.2
Assumed	192.2	182.4	155.6
Ceded	(749.3)	(824.1)	(103.7)
Net benefit expense	<u>\$ 61,116.9</u>	<u>\$ 56,854.9</u>	<u>\$ 56,237.1</u>

The effect of reinsurance on certain assets and liabilities at December 31 is as follows:

	2015	2014
Policy liabilities, assumed	\$ 56.7	\$ 57.4
Unearned income, assumed	0.5	0.4
Premiums payable, ceded	9.3	7.7
Premiums receivable, assumed	23.2	5.4

17. Leases

We lease office space and certain computer and related equipment using noncancelable operating leases. At December 31, 2015, future lease payments for operating leases with initial or remaining noncancelable terms of one year or more consist of the following:

2016	\$ 141.5
2017	140.0
2018	127.2
2019	109.9
2020	84.3
Thereafter	245.8
Total minimum payments required	<u>\$ 848.7</u>

We have certain lease agreements that contain contingent payment provisions. Under these provisions, we pay contingent amounts in addition to base rent, primarily based upon annual changes in the consumer price index. The schedule above contains estimated amounts for potential future increases in lease payments based on the contingent payment provisions.

Lease expense for 2015, 2014 and 2013 was \$212.9, \$192.5 and \$185.9, respectively.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

18. Earnings per Share

The denominator for basic and diluted earnings per share at December 31 is as follows:

	2015	2014	2013
Denominator for basic earnings per share—weighted-average shares	263.0	275.9	298.5
Effect of dilutive securities—employee stock options, non-vested restricted stock awards and convertible debentures	9.9	10.0	5.3
Denominator for diluted earnings per share	<u>272.9</u>	<u>285.9</u>	<u>303.8</u>

During the years ended December 31, 2015, 2014 and 2013, weighted-average shares related to certain stock options of 1.0, 0.5 and 4.2, respectively, were excluded from the denominator for diluted earnings per share because the stock options were anti-dilutive.

During the years ended December 31, 2015, 2014 and 2013, we issued approximately 0.4, 0.7 and 0.9 restricted stock units, respectively, of which vesting was contingent upon meeting certain earnings targets. Contingent restricted stock units are excluded from the denominator for diluted earnings per share and are included only if and when the contingency is met. The 2015 contingent restricted stock units are being measured over the three year period of 2015 through 2017, and remain contingent as of December 31, 2015. The 2014 and 2013 contingent restricted stock units were based on annual targets and were subsequently included in the denominator for diluted earnings per share for the years ended December 31, 2015 and 2014, respectively.

The Equity Units are potentially dilutive securities but were excluded from the denominator for diluted earnings per share for each of the years presented as the dilutive stock price threshold was not met.

19. Segment Information

On May 20, 2013, we announced certain organizational and executive leadership changes to align with how our Chief Executive Officer is managing our operations. Beginning with the three months ended June 30, 2013, our organizational structure is comprised of three reportable segments: Commercial and Specialty Business; Government Business; and Other.

Our Commercial and Specialty Business segment includes our Local Group, National Accounts, Individual and Specialty businesses. Business units in the Commercial and Specialty Business segment offer fully-insured health products; provide a broad array of managed care services to self-funded customers including claims processing, underwriting, stop loss insurance, actuarial services, provider network access, medical cost management, disease management, wellness programs and other administrative services; and provide an array of specialty and other insurance products and services such as dental, vision, life and disability insurance benefits, radiology benefit management and analytics-driven personal health care guidance.

Our Government Business segment includes Medicare and Medicaid businesses, National Government Services, or NGS, and services provided to the federal government in connection with FEP. Medicare business includes services such as Medicare Advantage, Medicare Part D, and Medicare Supplement. Medicaid business includes our managed care alternatives through publicly funded health care programs, including Medicaid, Temporary Assistance for Needy Family programs, programs for seniors and people with disabilities, programs for long-term services and support, Children's Health Insurance Programs and ACA-related Medicaid expansion programs. NGS acts as a Medicare contractor for the federal government in several regions across the nation.

Our Other segment includes other businesses that do not meet the quantitative thresholds for an operating segment as defined by FASB guidance, as well as corporate expenses not allocated to the other reportable segments.

We define operating revenues, a non-GAAP measure, to include premium income, administrative fees and other revenues. Operating revenues are derived from premiums and fees received primarily from the sale and administration of health benefit products. Operating gain, a non-GAAP measure, is calculated as total operating revenue less benefit expense and selling, general and administrative expense.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

Through our participation in various federal government programs, we generated approximately 18.8%, 21.0% and 20.3% of our total consolidated revenues from agencies of the U.S. government for the years ended December 31, 2015, 2014, and 2013, respectively. These revenues are contained in the Government Business segment.

The accounting policies of the segments are consistent with those described in the summary of significant accounting policies in Note 2, "Basis of Presentation and Significant Accounting Policies," except that certain shared administrative expenses for each segment are recognized on a pro rata allocated basis, which in aggregate approximates the consolidated expense. Any difference between the allocated expenses and actual consolidated expense is included in other expenses not allocated to reportable segments. Intersegment sales and expenses are recorded at cost and eliminated in the consolidated financial statements. We evaluate performance of the reportable segments based on operating gain or loss as defined above. We evaluate net investment income, net realized gains on investments, OTTI losses recognized in income, interest expense, amortization expense, gain or loss on extinguishment of debt, income taxes, assets and liabilities on a consolidated basis as these items are managed in a corporate shared service environment and are not the responsibility of segment operating management.

Financial data by reportable segment for the years ended December 31 is as follows:

	Commercial and Specialty Business	Government Business	Other	Total
Year ended December 31, 2015				
Operating revenue	\$ 37,570.8	\$ 40,813.0	\$ 21.0	\$ 78,404.8
Operating gain (loss)	2,854.0	1,978.5	(79.4)	4,753.1
Depreciation and amortization of property and equipment	—	—	515.6	515.6
Year ended December 31, 2014				
Operating revenue	\$ 39,199.6	\$ 33,796.4	\$ 25.7	\$ 73,021.7
Operating gain (loss)	3,260.9	1,191.9	(34.4)	4,418.4
Depreciation and amortization of property and equipment	—	—	474.3	474.3
Year ended December 31, 2013				
Operating revenue	\$ 39,404.2	\$ 30,752.6	\$ 34.6	\$ 70,191.4
Operating gain (loss)	3,176.4	844.0	(19.0)	4,001.4
Depreciation and amortization of property and equipment	—	—	457.1	457.1

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

The major product revenues for each of the reportable segments for the years ended December 31 are as follows:

	2015	2014	2013
Commercial and Specialty Business			
Managed care products	\$ 31,676.9	\$ 33,755.6	\$ 34,516.9
Managed care services	4,344.8	3,997.8	3,474.0
Dental/Vision products and services	1,111.7	1,037.3	952.5
Other	437.4	408.9	460.8
Total Commercial and Specialty Business	37,570.8	39,199.6	39,404.2
Government Business			
Managed care products	40,307.0	33,344.6	30,347.1
Managed care services	506.0	451.8	405.5
Total Government Business	40,813.0	33,796.4	30,752.6
Other			
Other	21.0	25.7	34.6
Total product revenues	\$ 78,404.8	\$ 73,021.7	\$ 70,191.4

The classification between managed care products and managed care services in the above table primarily distinguishes between the level of risk assumed. Managed care products represent insurance products where we bear the insurance risk, whereas managed care services represent product offerings where we provide claims adjudication and other administrative services to the customer, but the customer principally bears the insurance risk.

Asset, liability and equity details by reportable segment have not been disclosed, as we do not internally report such information.

A reconciliation of reportable segment operating revenues to the amounts of total revenues included in the consolidated statements of income for the years ended December 31 is as follows:

	2015	2014	2013
Reportable segments operating revenues	\$ 78,404.8	\$ 73,021.7	\$ 70,191.4
Net investment income	677.6	724.4	659.1
Net realized gains on investments	157.5	177.0	271.9
Other-than-temporary impairment losses recognized in income	(83.4)	(49.0)	(98.9)
Total revenues	\$ 79,156.5	\$ 73,874.1	\$ 71,023.5

A reconciliation of reportable segment operating gain to income from continuing operations before income taxes included in the consolidated statements of income for the years ended December 31 is as follows:

	2015	2014	2013
Reportable segments operating gain	\$ 4,753.1	\$ 4,418.4	\$ 4,001.4
Net investment income	677.6	724.4	659.1
Net realized gains on investments	157.5	177.0	271.9
Other-than-temporary impairment losses recognized in income	(83.4)	(49.0)	(98.9)
Interest expense	(653.0)	(600.7)	(602.7)
Amortization of other intangible assets	(230.1)	(220.9)	(245.3)
Gain (loss) on extinguishment of debt	9.3	(81.1)	(145.3)
Income from continuing operations before income tax expense	\$ 4,631.0	\$ 4,368.1	\$ 3,840.2

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

20. Related Party Transactions

We have a 19.99% equity investment in National Accounts Service Company, LLC, or NASCO, which processes National Accounts claims and provides other administrative services for us and certain other Blue Cross Blue Shield plans. Administrative expenses incurred related to NASCO services totaled \$83.6, \$85.3 and \$77.6, for the years ended December 31, 2015, 2014 and 2013, respectively. Amounts due to NASCO were \$5.4 and \$4.5 at December 31, 2015 and 2014, respectively.

21. Statutory Information

The majority of our insurance and HMO subsidiaries report their accounts in conformity with accounting practices prescribed or permitted by state insurance regulatory authorities, or statutory, which vary in certain respects from GAAP. However, certain of our insurance and HMO subsidiaries, including BCC, Blue Cross of California Partnership Plan, Inc., Golden West Health Plan, Inc. and CareMore Health Plan are regulated by the California Department of Managed Health Care, or DMHC, and report their accounts in conformity with GAAP (these entities are collectively referred to as the "DMHC regulated entities"). Typical differences of GAAP reporting as compared to statutory reporting are the inclusion of unrealized gains or losses relating to fixed maturity securities in shareholders' equity, recognition of all assets including those that are non-admitted for statutory purposes and recognition of all deferred tax assets without regard to statutory limits. The National Association of Insurance Commissioners, or NAIC, developed a codified version of the statutory accounting principles, designed to foster more consistency among the states for accounting guidelines and reporting. Prescribed statutory accounting practices are set forth in a variety of publications of the NAIC as well as state laws, regulations and general administrative rules.

Our ability to pay dividends and credit obligations is significantly dependent on receipt of dividends from our subsidiaries. The payment of dividends to us by our insurance and HMO subsidiaries without prior approval of the insurance departments of each subsidiary's domiciliary jurisdiction is limited by formula. Dividends in excess of these amounts are subject to prior approval by the respective state insurance departments or the DMHC.

Our statutory basis insurance and HMO subsidiaries are subject to risk-based capital requirements. Risk-based capital is a method developed by the NAIC to determine the minimum amount of statutory capital appropriate for an insurance company or HMO to support its overall business operations in consideration of its size and risk profile. The formula for determining the amount of risk-based capital specifies various factors, weighted based on the perceived degree of risk, which are applied to certain financial balances and financial activity. Below minimum risk-based capital requirements are classified within certain levels, each of which requires specified corrective action. Additionally, the DMHC regulated entities are subject to capital and solvency requirements as prescribed by the DMHC. As of December 31, 2015 and 2014, all of our regulated subsidiaries exceeded the minimum risk-based capital requirements and/or capital and solvency requirements of their applicable governmental regulator. The statutory risk-based capital necessary to satisfy regulatory requirements of our statutory basis insurance and HMO subsidiaries was approximately \$3,900.0 and \$3,400.0 as of December 31, 2015 and 2014, respectively. The tangible net equity required for the DMHC regulated entities was approximately \$560.0 and \$520.0 as of December 31, 2015 and 2014, respectively.

Statutory-basis capital and surplus of our insurance and HMO subsidiaries and capital and surplus of our other regulated subsidiaries, excluding the DMHC regulated entities, was \$9,676.7 and \$9,727.2 at December 31, 2015 and 2014, respectively. Statutory-basis net income of our insurance and HMO subsidiaries and net income of our other regulated subsidiaries, excluding the DMHC regulated entities, was \$2,359.9, \$2,403.8 and \$2,635.8 for 2015, 2014 and 2013, respectively. GAAP equity of the DMHC regulated entities was \$1,838.1 and \$1,696.1 at December 31, 2015 and 2014, respectively. GAAP net income of the DMHC regulated entities was \$477.5, \$453.6 and \$487.7 for the years ended December 31, 2015, 2014 and 2013, respectively.

Anthem, Inc.
Notes to Consolidated Financial Statements (continued)

22. Selected Quarterly Financial Data (Unaudited)

Selected quarterly financial data is as follows:

	For the Quarter Ended			
	March 31	June 30	September 30	December 31
2015				
Total revenues	\$ 19,051.5	\$ 20,015.5	\$ 19,901.6	\$ 20,187.9
Income before income taxes	1,569.1	1,558.0	1,129.6	374.3
Net income	865.2	859.1	654.8	180.9
Basic net income per share	\$ 3.25	\$ 3.27	\$ 2.51	\$ 0.69
Diluted net income per share	3.09	3.13	2.43	0.68
2014				
Total revenues	\$ 17,859.4	\$ 18,473.4	\$ 18,557.0	\$ 18,984.3
Income from continuing operations before income taxes	1,130.1	1,263.7	1,087.2	887.1
Income from continuing operations	691.4	731.1	630.9	506.7
Income from discontinued operations	9.6	—	—	—
Net income	701.0	731.1	630.9	506.7
Basic net income per share - continuing operations	\$ 2.43	\$ 2.64	\$ 2.31	\$ 1.88
Basic net income per share - discontinued operations	0.03	—	—	—
Basic net income per share	2.46	2.64	2.31	1.88
Diluted net income per share - continuing operations	\$ 2.37	\$ 2.56	\$ 2.22	\$ 1.80
Diluted net income per share - discontinued operations	0.03	—	—	—
Diluted net income per share	2.40	2.56	2.22	1.80

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

There have been no changes in or disagreements with our independent registered public accounting firm on accounting or financial disclosures.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation as of December 31, 2015, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Exchange Act. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us (including our consolidated subsidiaries) required to be disclosed in our reports under the Exchange Act. In addition, based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

Management's Report on Internal Control Over Financial Reporting

Management, under the supervision and with the participation of the principal executive officer and principal financial officer, of Anthem, Inc., or the Company, is responsible for establishing and maintaining effective internal control over financial reporting, or Internal Control, as such term is defined in the Exchange Act. The Company's Internal Control is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles, or GAAP. The Company's Internal Control includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of inherent limitations in any Internal Control, no matter how well designed, misstatements due to error or fraud may occur and not be detected. Accordingly, even effective Internal Control can provide only reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Management, under the supervision and with the participation of the principal executive officer and principal financial officer, assessed the effectiveness of the Company's Internal Control as of December 31, 2015. Management's assessment was based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company completed its acquisition of Simply Healthcare Holdings, Inc. on February 17, 2015. As permitted by the U.S. Securities and Exchange Commission, management's assessment as of December 31, 2015 did not include the Internal Control of the former Simply Healthcare Holdings, Inc., whose balance sheet is included in the Company's consolidated financial statements as of December 31, 2015. Such operations of Simply Healthcare Holdings, Inc. constituted \$249.6 million and \$87.2 million of the Company's total assets and net assets, respectively, as of December 31, 2015, and \$1,090.6 million and \$18.7 million of the Company's operating revenue and net income, respectively, for the year then ended.

Based on management's assessment, which excluded an assessment of Internal Control of the acquired operations of Simply Healthcare Holdings, Inc., management has concluded that the Company's Internal Control was effective as of December 31, 2015 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with GAAP.

Ernst & Young LLP, the Company's independent registered public accounting firm, has audited the consolidated financial statements of the Company for the year ended December 31, 2015, and has also issued an audit report dated February 19, 2016, on the effectiveness of the Company's internal control over financial reporting as of December 31, 2015, which is included in this Annual Report on Form 10-K.

/s/ JOSEPH R. SWEDISH

Chairman, President and Chief Executive Officer

/s/ WAYNE S. DEVEYDT

Executive Vice President and Chief Financial Officer

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the three months ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Anthem, Inc.

We have audited Anthem, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Anthem, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of the former Simply Healthcare Holdings, Inc., which is included in the 2015 consolidated financial statements of Anthem, Inc. and constituted \$249.6 million and \$87.2 million of total and net assets, respectively, as of December 31, 2015 and \$1,090.6 million and \$18.7 million of operating revenues and net income, respectively, for the year then ended. Our audit of internal controls over financial reporting of Anthem, Inc. also did not include an evaluation of the internal controls over financial reporting of Simply Healthcare Holdings, Inc.

In our opinion, Anthem, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Anthem, Inc. as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2015 of Anthem, Inc. and our report dated February 19, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Indianapolis, Indiana
February 19, 2016

ITEM 9B. OTHER INFORMATION.

None.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

The information required by this Item concerning our Executive Officers, Directors and nominees for Director, Audit Committee members and financial expert(s) and concerning disclosure of delinquent filers under Section 16(a) of the Exchange Act and our Standards of Business Conduct is incorporated herein by reference from our definitive Proxy Statement for our 2016 Annual Meeting of Shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days after the end of our last fiscal year.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item concerning remuneration of our Executive Officers and Directors, material transactions involving such Executive Officers and Directors and Compensation Committee interlocks, as well as the Compensation Committee Report, are incorporated herein by reference from our definitive Proxy Statement for our 2016 Annual Meeting of Shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days after the end of our last fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this Item concerning the stock ownership of management and five percent beneficial owners and securities authorized for issuance under equity compensation plans is incorporated herein by reference from our definitive Proxy Statement for our 2016 Annual Meeting of Shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days after the end of our last fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this Item concerning certain relationships and related person transactions and director independence is incorporated herein by reference from our definitive Proxy Statement for our 2016 Annual Meeting of Shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days after the end of our last fiscal year.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required by this Item concerning principal accounting fees and services is incorporated herein by reference from our definitive Proxy Statement for our 2016 Annual Meeting of Shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days after the end of our last fiscal year.

PART IV**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.****(a) 1. Financial Statements:**

The following consolidated financial statements of the Company are set forth in Part II, Item 8

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2015 and 2014

Consolidated Statements of Income for the years ended December 31, 2015, 2014, and 2013

Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014, and 2013

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2015, 2014 and 2013

Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013

Notes to Consolidated Financial Statements

2. Financial Statement Schedule:

The following financial statement schedule of the Company is included in Item 15(c):

Schedule II—Condensed Financial Information of Registrant (Parent Company Only).

All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions, are inapplicable, or the required information is included in the consolidated financial statements, and therefore, have been omitted.

3. Exhibits:

A list of exhibits required to be filed as part of this report is set forth in the Index to Exhibits, which immediately precedes such exhibits, and is incorporated herein by reference.

(b) Exhibits

The response to this portion of Item 15 is submitted as a separate section of this report.

(c) Financial Statement Schedule

Schedule II—Condensed Financial Information of Registrant (Parent Company Only).

Schedule II—Condensed Financial Information of Registrant

Anthem, Inc. (Parent Company Only)
Balance Sheets

	December 31, 2015	December 31, 2014
<i>(In millions, except share data)</i>		
Assets		
Current assets:		
Cash and cash equivalents	\$ 492.3	\$ 739.8
Investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of \$889.6 and \$1,798.8)	794.0	1,753.4
Equity securities (cost of \$53.0 and \$148.7)	82.0	206.7
Other invested assets, current	5.9	5.7
Other receivables	77.0	44.6
Income taxes receivable	236.5	227.9
Net due from subsidiaries	—	327.3
Securities lending collateral	130.6	224.8
Other current assets	394.0	232.5
Total current assets	2,212.3	3,762.7
Long-term investments available-for-sale, at fair value:		
Equity securities (cost of \$6.5 and \$6.6)	6.5	6.6
Other invested assets, long-term	630.1	654.5
Property and equipment, net	116.8	134.0
Deferred tax assets, net	146.6	—
Investments in subsidiaries	36,524.4	35,647.2
Other noncurrent assets	129.8	113.0
Total assets	\$ 39,766.5	\$ 40,318.0
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 615.5	\$ 599.9
Security trades pending payable	13.4	14.0
Securities lending payable	130.6	224.8
Net due to subsidiaries	93.2	—
Current portion of long-term debt	—	624.3
Other current liabilities	278.1	280.1
Total current liabilities	1,130.8	1,743.1
Long-term debt, less current portion	15,299.6	13,994.7
Deferred tax liabilities, net	—	15.2
Other noncurrent liabilities	292.0	313.7
Total liabilities	16,722.4	16,066.7
Commitments and contingencies—Note 5		
Shareholders' equity		
Preferred stock, without par value, shares authorized - 100,000,000; shares issued and outstanding - none	—	—
Common stock, par value \$0.01, shares authorized - 900,000,000; shares issued and outstanding - 261,238,188 and 268,109,932	2.6	2.7
Additional paid-in capital	8,555.6	10,062.3
Retained earnings	14,778.5	14,014.4
Accumulated other comprehensive (loss) income	(292.6)	171.9
Total shareholders' equity	23,044.1	24,251.3
Total liabilities and shareholders' equity	\$ 39,766.5	\$ 40,318.0

See accompanying notes.

Anthem, Inc. (Parent Company Only)
Statements of Income

<i>(In millions)</i>	Years ended December 31		
	2015	2014	2013
Revenues			
Net investment income	\$ 99.7	\$ 87.4	\$ 61.2
Net realized losses on investments	(3.8)	(27.1)	(83.2)
Other-than-temporary impairment losses on investments:			
Total other-than-temporary impairment losses on investments	(49.2)	(35.5)	(51.6)
Portion of other-than-temporary impairment losses recognized in other comprehensive income	10.0	7.0	0.2
Other-than-temporary impairment losses recognized in income	(39.2)	(28.5)	(51.4)
Other revenue	3.5	4.8	4.4
Total revenues (losses)	60.2	36.6	(69.0)
Expenses			
General and administrative expense	77.9	20.3	196.6
Interest expense	649.7	597.8	598.4
(Gain) loss on extinguishment of debt	(9.3)	81.1	145.3
Total expenses	718.3	699.2	940.3
Loss before income tax credits and equity in net income of subsidiaries	(658.1)	(662.6)	(1,009.3)
Income tax credits	(270.1)	(255.4)	(369.7)
Equity in net income of subsidiaries	2,948.0	2,976.9	3,129.3
Net income	\$ 2,560.0	\$ 2,569.7	\$ 2,489.7

See accompanying notes.

Anthem, Inc. (Parent Company Only)
Statements of Comprehensive Income

<i>(in millions)</i>	Years ended December 31		
	2015	2014	2013
Net income	\$ 2,560.0	\$ 2,569.7	\$ 2,489.7
Other comprehensive (loss) income, net of tax:			
Change in net unrealized gains/losses on investments	(384.3)	118.6	(294.7)
Change in non-credit component of other-than-temporary impairment losses on investments	(5.6)	(3.9)	1.7
Change in net unrealized gains/losses on cash flow hedges	(45.2)	(3.6)	3.0
Change in net periodic pension and postretirement costs	(26.0)	(118.1)	172.7
Foreign currency translation adjustments	(3.4)	(4.3)	1.4
Other comprehensive loss	(464.5)	(11.3)	(115.9)
Total comprehensive income	\$ 2,095.5	\$ 2,558.4	\$ 2,373.8

See accompanying notes.

Anthem, Inc. (Parent Company Only)
Statements of Cash Flows

(In millions)	Years ended December 31		
	2015	2014	2013
Operating activities			
Net income	\$ 2,560.0	\$ 2,569.7	\$ 2,489.7
Adjustments to reconcile net income to net cash provided by operating activities:			
(Undistributed) distributed earnings of subsidiaries	(287.8)	244.3	(78.5)
Net realized losses on investments	3.8	27.1	83.2
Other-than-temporary impairment losses recognized in income	39.2	28.5	51.4
(Gain) loss on extinguishment of debt	(9.3)	81.1	145.3
Loss on disposal of assets	0.2	3.9	3.6
Deferred income taxes	55.0	52.7	(4.5)
Amortization, net of accretion	40.8	17.5	25.2
Depreciation expense	68.1	67.4	45.7
Share-based compensation	148.2	168.9	146.0
Excess tax benefits from share-based compensation	(95.8)	(46.4)	(30.1)
Changes in operating assets and liabilities:			
Receivables, net	(17.9)	(16.6)	3.5
Other invested assets, current	(0.2)	(3.8)	(0.3)
Other assets	(106.9)	55.6	42.3
Amounts due from/to subsidiaries	420.5	566.1	(983.1)
Accounts payable and accrued expenses	7.5	(111.4)	111.8
Other liabilities	(231.4)	(113.8)	(18.6)
Income taxes	47.2	(36.0)	83.9
Other, net	(10.2)	—	—
Net cash provided by operating activities	2,631.0	3,554.8	2,116.5
Investing activities			
Purchases of investments	(2,130.7)	(1,819.3)	(1,964.3)
Proceeds from sales, maturities, calls and redemptions of investments	3,076.6	820.7	2,443.3
Settlement of non-hedging derivatives	(36.5)	(67.4)	(109.8)
Capitalization of subsidiaries	(939.7)	(321.8)	(121.2)
Changes in securities lending collateral	94.0	(178.8)	(17.0)
Purchases of property and equipment, net of sales	(51.1)	(57.0)	(87.4)
Other, net	1.5	(38.0)	(18.9)
Net cash provided by (used in) investing activities	14.1	(1,661.6)	124.7
Financing activities			
Net proceeds from (repayments of) commercial paper borrowings	682.2	(379.2)	(191.7)
Proceeds from long-term borrowings	1,226.5	2,700.0	1,250.0
Repayments of long-term borrowings	(2,697.2)	(1,730.1)	(1,245.0)
Changes in securities lending payable	(94.2)	178.6	17.1
Changes in bank overdrafts	(89.3)	55.5	71.8
Premiums paid on equity call options	(16.7)	—	(25.8)
Proceeds from sale of put options	16.6	—	—
Repurchase and retirement of common stock	(1,515.8)	(2,998.8)	(1,620.1)
Cash dividends	(686.5)	(501.6)	(465.9)
Proceeds from issuance of common stock under employee stock plans	186.0	301.3	524.7
Excess tax benefits from share-based compensation	95.8	46.4	30.1
Net cash used in financing activities	(2,892.6)	(2,327.9)	(1,651.8)
Change in cash and cash equivalents	(247.5)	(434.7)	586.4
Cash and cash equivalents at beginning of year	739.8	1,174.5	588.1
Cash and cash equivalents at end of year	\$ 492.3	\$ 739.8	\$ 1,174.5

See accompanying notes.

Anthem, Inc.
(Parent Company Only)
Notes to Condensed Financial Statements
December 31, 2015
(In Millions, Except Per Share Data)

1. Basis of Presentation and Significant Accounting Policies

In the parent company only financial statements of Anthem, Inc., or Anthem, Anthem's investment in subsidiaries is stated at cost plus equity in undistributed earnings of the subsidiaries. Anthem's share of net income of its unconsolidated subsidiaries is included in income using the equity method of accounting.

Certain amounts presented in the parent company only financial statements are eliminated in the consolidated financial statements of Anthem.

Anthem's parent company only financial statements should be read in conjunction with Anthem's audited consolidated financial statements and the accompanying notes included in this Annual Report on Form 10-K.

2. Subsidiary Transactions

Dividends from Subsidiaries

Anthem received cash dividends from subsidiaries of \$2,672.3, \$3,234.5 and \$3,046.5 during 2015, 2014 and 2013, respectively.

Dividends to Subsidiaries

Certain subsidiaries of Anthem own shares of Anthem common stock. Anthem paid cash dividends to subsidiaries related to these shares of common stock in the amount of \$29.9, \$20.9 and \$17.9 during 2015, 2014 and 2013, respectively.

Investments in Subsidiaries

Capital contributions to subsidiaries were \$939.7, \$321.8 and \$121.2 during 2015, 2014 and 2013, respectively.

Amounts Due to and From Subsidiaries

At December 31, 2015 and 2014, Anthem reported \$93.2 due to subsidiaries and \$327.3 due from subsidiaries, respectively. The amounts due to or from subsidiaries primarily include amounts for allocated administrative expenses or cash held overnight at the parent level resulting from daily cash management activities. These items are routinely settled, and as such, are classified as current assets or liabilities.

3. Derivative Financial Instruments

The information regarding derivative financial instruments contained in Note 5, "Derivative Financial Instruments," of the Notes to Consolidated Financial Statements of Anthem and its subsidiaries is incorporated herein by reference.

4. Long-Term Debt

The information regarding long-term debt contained in Note 12, "Debt," of the Notes to Consolidated Financial Statements of Anthem and its subsidiaries is incorporated herein by reference.

5. Commitments and Contingencies

The information regarding commitments and contingencies contained in Note 13, "Commitments and Contingencies," of the Notes to Consolidated Financial Statements of Anthem and its subsidiaries is incorporated herein by reference.

6. Capital Stock

The information regarding capital stock contained in Note 14, "Capital Stock," of the Notes to Consolidated Financial Statements of Anthem and its subsidiaries is incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ANTHEM, INC.

By: /s/ JOSEPH R. SWEDISH
 Joseph R. Swedish
 Chairman, President and Chief Executive Officer

Dated: February 19, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ JOSEPH R. SWEDISH</u> Joseph R. Swedish	Chairman, President and Chief Executive Officer	February 19, 2016
<u>/s/ WAYNE S. DEVEYDT</u> Wayne S. DeVeydt	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 19, 2016
<u>/s/ RONALD W. PENCZEK</u> Ronald W. Penczek	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 19, 2016
<u>/s/ GEORGE A. SCHAEFER, JR.</u> George A. Schaefer, Jr.	Director	February 19, 2016
<u>/s/ R. KERRY CLARK</u> R. Kerry Clark	Director	February 19, 2016
<u>/s/ ROBERT L. DIXON, JR.</u> Robert L. Dixon, Jr.	Director	February 19, 2016
<u>/s/ LEWIS HAY III</u> Lewis Hay III	Director	February 19, 2016
<u>/s/ JULIE A. HILL</u> Julie A. Hill	Director	February 19, 2016
<u>/s/ RAMIRO G. PERU</u> Ramiro G. Peru	Director	February 19, 2016
<u>/s/ WILLIAM J. RYAN</u> William J. Ryan	Director	February 19, 2016
<u>/s/ ELIZABETH E. TALLETT</u> Elizabeth E. Tallett	Director	February 19, 2016

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Exhibit</u>
2.1	Stock and Interest Purchase Agreement dated April 9, 2009, by and between the Company and Express Scripts, Inc., incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed on April 13, 2009, SEC File No. 001-16751.
2.2	Agreement and Plan of Merger, dated as of July 23, 2015 among Anthem, Inc., Anthem Merger Sub. Corp. and Cigna Corporation, incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 27, 2015.
3.1	Amended and Restated Articles of Incorporation of the Company, as amended effective December 2, 2014, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on December 2, 2014.
3.2	By-Laws of the Company, as amended effective July 23, 2015, incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015.
4.1	Indenture, dated as of December 9, 2004, between the Company and The Bank of New York Trust Company, N.A., as trustee, including the Form of the Company's 5.950% Notes due 2034, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 15, 2004, SEC File No. 001-16751
4.2	Indenture, dated as of January 10, 2006, between the Company and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as trustee, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 11, 2006, SEC File No. 001-16751.
	(a) Form of 5.85% Notes due 2036, incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on January 11, 2006, SEC File No. 001-16751.
	(b) Form of 5.875% Notes due 2017, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on June 8, 2007, SEC File No. 001-16751
	(c) Form of 6.375% Notes due 2037, incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on June 8, 2007, SEC File No. 001-16751.
	(d) Form of 7.000% Notes due 2019, incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on February 5, 2009, SEC File No. 001-16751.
	(e) Form of 4.350% Notes due 2020, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on August 12, 2010, SEC File No. 001-16751.
	(f) Form of 5.800% Notes due 2040, incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on August 12, 2010, SEC File No. 001-16751.
	(g) Form of 2.375% Notes due 2017, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on August 15, 2011.
	(h) Form of 3.700% Notes due 2021, incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on August 15, 2011.
	(i) Form of 3.125% Notes due 2022, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on May 7, 2012.
	(j) Form of 4.625% Notes due 2042, incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on May 7, 2012.
	(k) Form of 1.875% Notes due 2018, incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on September 10, 2012
	(l) Form of 3.300% Notes due 2023, incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on September 10, 2012.

Exhibit
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- (m) Form of 4.650% Notes due 2043, incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K filed on September 10, 2012.
- (n) Form of 2.300% Notes due 2018, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on July 31, 2013.
- (o) Form of 5.100% Notes due 2044, incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on July 31, 2013.
- (p) Form of 2.250% Notes due 2019, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on August 12, 2014.
- (q) Form of 3.500% Notes due 2024, incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on August 12, 2014.
- (r) Form of 4.650% Notes due 2044, incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on August 12, 2014.
- (s) Form of 4.850% Notes due 2054, incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K filed on August 12, 2014.
- 4.3 Indenture dated as of October 9, 2012 between the Company and The Bank of New York Mellon Trust Company, N.A. as trustee, including the Form of the 2.750% Senior Convertible Debentures due 2042, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 9, 2012.
- 4.4 Subordinated Indenture, dated as of May 12, 2015, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on May 12, 2015.
 - (a) First Supplemental Indenture to the Subordinated Indenture, dated as of May 12, 2015, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee, including the Form of 1.90% Remarketable Subordinated Notes due 2028, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on May 12, 2015.
- 4.5 Purchase Contract and Pledge Agreement, dated as of May 12, 2015, between the Company and The Bank of New York Mellon Trust Company, N.A., as Purchase Contract Agent, Collateral Agent, Custodial Agent and Securities Intermediary, including the Form of Remarketing Agreement, Form of Corporate Units Certificate and Form of Treasury Units Certificate, incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on May 12, 2015.
- 4.6 Upon the request of the Securities and Exchange Commission, the Company will furnish copies of any other instruments defining the rights of holders of long-term debt of the Company or its subsidiaries.
- 10.1 * Anthem 2001 Stock Incentive Plan, amended and restated as of January 1, 2003, incorporated by reference to Exhibit 10.1(iii) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, SEC File No. 001-16751.
 - (a) Form of Stock Incentive Plan General Stock Option Grant Agreement as of March 1, 2006, incorporated by reference to Exhibit 10.1(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, SEC File No. 001-16751.
- 10.2 * Anthem Incentive Compensation Plan, as amended and restated effective December 2, 2014, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 2, 2014.
 - (a) Form of Incentive Compensation Plan Nonqualified Stock Option Award Agreement under the 2006 Incentive Compensation Plan, incorporated by reference to Exhibit 10.2(j) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, SEC File No. 001-16751.
 - (b) Form of Incentive Compensation Plan Nonqualified Stock Option Award Agreement for 2009 under the 2006 Incentive Compensation Plan, incorporated by reference to Exhibit 10.2(m) to the Company's Annual Report on Form 10-K for the year ended December 31, 2008, SEC File No. 001-16751.

Exhibit
NumberExhibit

- (c) Form of Incentive Compensation Plan Nonqualified Stock Option Award Agreement, incorporated by reference to Exhibit 10.2(o) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, SEC File No. 001-16751.
- (d) Form of Incentive Compensation Plan Nonqualified Stock Option Award Agreement for 2013, incorporated by reference to Exhibit 10.2(s) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.
- (e) Form of Incentive Compensation Plan Restricted Stock Unit Award Agreement for 2013, incorporated by reference to Exhibit 10.2(t) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.
- (f) Form of Incentive Compensation Plan Performance Share Award Agreement for 2013, incorporated by reference to Exhibit 10.2(u) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.
- (g) Form of Incentive Compensation Plan Nonqualified Stock Option Award Agreement for 2014, incorporated by reference to Exhibit 10.2(p) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014.
- (h) Form of Incentive Compensation Plan Restricted Stock Unit Award Agreement for 2014, incorporated by reference to Exhibit 10.2(q) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014.
- (i) Form of Incentive Compensation Plan Performance Share Award Agreement for 2014, incorporated by reference to Exhibit 10.2(r) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014.
- (j) Form of Incentive Compensation Plan Nonqualified Stock Option Award Agreement for 2015, incorporated by reference to Exhibit 10.2(n) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.
- (k) Form of Incentive Compensation Plan Restricted Stock Unit Award Agreement for 2015, incorporated by reference to Exhibit 10.2(o) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.
- (l) Form of Incentive Compensation Plan Performance Stock Unit Award Agreement for 2015, incorporated by reference to Exhibit 10.2(p) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.
- 10.3 * Anthem, Inc. Comprehensive Nonqualified Deferred Compensation Plan, as amended and restated effective December 2, 2014, incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014.
- 10.4 * Anthem, Inc. Executive Agreement Plan, as amended and restated effective December 2, 2014, incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014.
- 10.5 * Anthem, Inc. Executive Salary Continuation Plan, as amended and restated effective December 2, 2014.
- 10.6 * Anthem, Inc. Directed Executive Compensation Plan amended effective January 1, 2014, incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013.
- 10.7 * Anthem, Inc. Board of Directors Compensation Program, as amended effective December 9, 2015.
- 10.8 * Anthem Board of Directors' Deferred Compensation Plan, as amended and restated effective December 2, 2014, incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014.
- 10.9 * Amerigroup Corporation 2009 Equity Incentive Plan effective May 7, 2009, incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 filed on December 26, 2012 (Registration No. 333-185675).

**Exhibit
Number****Exhibit**

- 10.10 * (a) Form of Employment Agreement between the Company and Wayne S. DeVeydt, incorporated by reference to Exhibit A to Exhibit 10.7 to the Company's Current Report on Form 8-K filed on November 2, 2006, SEC File No. 001-16751.
- (b) Form of Employment Agreement between the Company and each of the following: Brian T. Griffin, Peter D. Haytaian, Gloria McCarthy, Martin Silverstein, M.D., Jose D. Tomas and Thomas C. Zielinski, incorporated by reference to Exhibit A to Exhibit 10.41 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, SEC File No. 001-16751.
- (c) Form of Employment Agreement between the Company and Joseph R. Swedish, incorporated by reference to Exhibit A to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 12, 2013.
- (d) Form of Employment Agreement between the Company and Craig E. Sammit, incorporated by reference to Exhibit A to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014.
- 10.11 * Offer Letter, by and between WellPoint, Inc. and Joseph R. Swedish, dated as of February 6, 2013, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 12, 2013.
- 10.12 Blue Cross License Agreement by and between Blue Cross Blue Shield Association and the Company, including revisions, if any, adopted by the Member Plans through September 18, 2015.
- 10.13 Blue Shield License Agreement by and between Blue Cross Blue Shield Association and the Company, including revisions, if any, adopted by the Member Plans through September 18, 2015.
- 10.14 Undertakings to California Department of Managed Health Care, dated October 15, 2012, delivered by Blue Cross of California, incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012.
- 10.15 Commitment letter, dated as of July 23, 2015, by and among Anthem, Inc., Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse Securities (USA) LLC, Credit Suisse AG, UBS AG and UBS Securities LLC, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 27, 2015.
- (a) Bridge Facility Joinder Agreement, dated as of August 25, 2015, among Anthem, Inc. and the other parties thereto, incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-4 filed on September 30, 2015 (Registration No. 333-207218).
- 21 Subsidiaries of the Company.
- 23 Consent of Independent Registered Public Accounting Firm.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 The following materials from Anthem, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Income; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Shareholders' Equity; (vi) the Notes to Consolidated Financial Statements and (vii) Financial Statement Schedule II.

* Indicates management contracts or compensatory plans or arrangements.